

AMERICAN NEWS

Menem's Argentine shuffle and reshuffle

Gary Mead looks at the latest round of ministerial musical chairs in Buenos Aires

Instability, it would appear, is becoming as intrinsic to Argentine politics as beef is to Argentine diets. Yesterday's resignation of Mr Juan Bautista Yofre, as head of SIDE, Argentina's intelligence service, is just the latest in a growing line of abrupt departures by senior government officials.

Although Mr Yofre's departure has been in the air for more than a week, it appears to be unrelated to the discovery of hidden microphones all through the official residence of President Carlos Menem.

Nevertheless, in less than seven months, President Carlos Menem has lost half of his original team. Such a disconcerting flurry of comings and goings, combined with an accelerating series of economic emergency plans, suggests that his administration is facing considerable problems.

Perhaps the most alarming of the post-Christmas resignations was that of Mr Italo Argentino Luder as Defence Minister. Mr Luder appears to have resigned because General Isidro Caceres, the army chief of staff, snubbed him by failing to invite him to a dinner attended by President Menem and cabinet members.

Mr Luder has been replaced by Mr Humberto Romero, who qualified as a surgeon but later took to professional Peronist politics. Mr Romero was appointed Mr Luder's second in command at Defence when Mr Menem took office as President on July 8 last year. But Mr Romero resigned just over



President Carlos Menem: bugged in the Palace, now bothered by resignations in his government

one month later, a casualty of his chief's determination to bolster Gen Caceres against army dissidents led by ex-Colonel Mohamed Ali Seineldin.

Mr Romero takes a more favourable view of the nationalist aspirations of Mr Seineldin, who is himself the informal president of Gen Manuel Noriega's fan-club.

Other ministers have come and gone, pausing just long enough to change office nameplates. The turnrounds at the Ministry of Economy and the Central Bank still hold the record. Argentina is now into its third string of Economy

Ministers since July 1989. Mr Miguel Roig, the chain-smoking first incumbent, died following a heart attack after one week in office. His successor, Mr Nestor Rapanelli, survived the accusations of a Venezuelan magistrate of shady financial dealings during his period at the helm of a company in Venezuela, only to fall last December as confidence ebbed from his plans like the last notes of a midnight tango.

President Menem had tried to forge a grand alliance with Latin America's biggest multinational, grain-trading Bunge

and Born, from the ranks of which Roig and Rapanelli were chosen. That fell apart within 6 months; Mr Rapanelli's permanently fixed smile froze as he watched Argentina's currency, the austral, fall from an official rate of 650 to the dollar to 1,900 within days last December.

In troubled times it is perhaps a natural instinct to run home, which is precisely what President Menem did following the fall of the house of Rapanelli. The new Economy Minister still in place is Mr Menem's old economic overseer from La Rioja, the poor province poorly governed by

Mr Menem between 1973 and last July when he became president. Mr Erman Antonio Gonzalez took over Argentina's economy on December 15, having already moved twice within the Menem government.

His first post was as vice-president of the central bank. Mr Javier Gonzalez Fraga, Mr Egidio Iamella, and Mr Rodolfo Rossi have held the governorship of the central bank since July 1989; Mr Enrique Falcini has just taken over.

Mr Gonzalez's stint in the second rank of the central bank was followed by promotion to Minister of Health and Social Welfare, a post now occupied by Mr Eduardo Banza (previously Interior Minister).

One of Mr Gonzalez's first acts was to appropriate all short-term bank deposits over 1m australs (about \$500 at current exchange rates).

The factionalism within the Peronist government confirms the worst suspicions which many had when Mr Menem won the presidency last May. At a time when the country's economic prospects are as dim as at any time for many years, Argentina can ill-afford the squabbles and place-seeking which have traditionally prevented the country from realising its potential.

President Menem may increasingly be surrounded by figures neither he nor the country can trust, but he himself still suffers from a familiar Argentine affliction, the notion that shuffling personalities is a substitute for developing policies.

IMF team unlikely to grant pleas for more time

By Gary Mead in Buenos Aires

THE OLD IDEA that "a sunny day is a Peronist day" is looking a little tarnished. As temperatures have soared to a record-breaking 37 degrees centigrade, President Carlos Menem's neo-Peronist government has wilted.

February begins with the International Monetary Fund, which currently has a team in Buenos Aires, raking over the figures of a collapsed letter of intent signed scarcely four months ago. If the IMF's principle of conditionality is to avoid another debt, it must surely return to Washington with a thumbs-down for the current loan arrangement for Argentina.

The terms of the IMF's latest arrangement with Argentina - a debtor which has avoided all interest payments on its \$600m foreign debt since April 1988 - set targets which Argentina now has no hope of meeting in 1990. The Argentine government is pleading for a waiver, in order to obtain the second tranche (worth \$230m) of the \$1.6m loan.

But the IMF must be uncomfortably aware that if Argentina is left off the hook, many other similarly recalcitrant recipients of IMF handouts will take note and act accordingly.

The Menem government pledged itself to inflation of no more than 15 per cent during 1990; a reduction of the fiscal deficit to 1.25 per cent of gross domestic product and growth of 5 per cent. With inflation likely to be in excess of 60 per cent in January alone, the fiscal deficit still an unbridged chasm, and a domestic recession of unprecedented levels in full swing, October 1989's letter of intent has been torn to shreds.

In the third week of January the government's attempt to hold down wage increases collapsed when public and private sector unions signed deals giving increases of between 100 and 170 per cent.

The finger of blame can hardly be pointed in any direction other than the government, and President Menem himself. Rather than obey his own dictates of last July when he promised "surgery without anaesthetic" he has followed the line of previous governments. It has printed money to cover government expenditure and has let tax avoidance continue unabated.

Thus Mr Rodolfo Rossi - appointed central bank governor

mid-December, removed mid-January - came in with the usual flourishing promise of "no more printing of money."

On January 17 the central bank, then still under Mr Rossi, officially admitted to the printing of an additional 1bn australs (current exchange rate 1800 australs = \$1). A serious falter in economic policy was made worse by President Menem when the next day he denied that the central bank had printed the new notes - despite the fact that the admission was made by Mr Rossi himself.

The printing of increasingly worthless notes was made necessary by the government's inability to say no to hard pressed trade unions.

In the third week of January the government's attempt to hold down wage increases exploded, when public and private sector unions of all types signed deals giving increases of between 100 and 170 per cent - to be renegotiated in February in the light of the latest inflation figures. What is depressing for many ordinary workers is that even such mammoth settlements still leave them far behind 1989's accumulated inflation of almost 5,000 per cent.

Nicaragua amnesty for Contras

By Tim Coone in Managua

THE NICARAGUAN government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement made on Monday evening between President Ortega and local Catholic church leaders.

In return President Ortega called on the US and Honduran governments to facilitate the release of prisoners held in the Contra camps in Honduras and to accelerate the Contras' demobilisation in accordance with the Central American peace agreements.

Some 1,090 prisoners will benefit from the total amnesty, including 39 ex-National Guard officers of the regime overthrown in 1979 who were not included in a partial amnesty last year. The 39 were found guilty of serious human rights

crimes during the civil war which culminated in the 1979 revolution. Both the Contra leadership and the opposition alliance, UNO, have made repeated calls upon the government for a total amnesty as a confidence-building measure.

In recent weeks a number of prominent Contra leaders have returned to Nicaragua to participate in the electoral process.

President Ortega had said previously that the total amnesty would only be made when the 12,000-strong Contra force had been disbanded. After suspending a 19-month unilateral ceasefire last November he then softened his line, proposing a 50 per cent demobilisation in return for the amnesty, which was rejected by the Contras. Then

last week he said that all the Contra prisoners would be released if the ruling Sandinista party wins next month's elections.

The concession made on Monday appears to be in response to a recent Contra offer to suspend its military operations until after the elections. An increase in Contra military activity led to the suspension of the government's 19-month ceasefire.

The government has not responded directly to the Contra offer, saying only that the Contras should be disbanding instead of offering a ceasefire. The amnesty measure though will place the onus on the Contras and their US backers to respect the electoral process. General elections will be held on February 25.

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AMERICAN NEWS

Californian insurers win court victory

By Patrick Cockburn

INSURANCE companies in California have won a big victory this week in their battle with consumers organisations seeking to cut motor insurance rates. The state Supreme Court in San Francisco has decided to allow insurers to refuse to renew policies and to withdraw from the state.

The court rejected, in a 4-3 decision, the case of insurance commissioner Rosamund Gillespie that four companies belonging to Travelers Corporation could not leave the state without ensuring cover for policy holders.

Since a majority of Californians voters backed Proposition 103, cutting the cost and increasing availability of insurance, in a ballot in 1988 insurance companies have fought in the courts to limit the initiative.

Travelers and other insurance companies have threatened to pull out of California because they face big underwriting losses as a result of Proposition 103. Overall, however, insurers are unlikely to abandon California - where property-casualty premiums total \$30bn a year.

But the court decision, by opening up the option of total withdrawal, provides ammunition for insurers attending hearings before Judge William Fernandez at San Bruno, near San Francisco, which are to decide a fair rate of return for insurance companies in California. Last May the state supreme court upheld most of the provisions of 103 but said insurance companies must receive a fair rate of return.

The state Department of Insurance, criticised for failing to implement 103, has promised to produce a ruling on premiums to be paid by consumers within the next month.

According to the court decision: "Proposition 103 does not prevent an insurer from discontinuing its California business." In dissent Justice Allen Brossard argued that Travelers' move should await the commissioner's approval before withdrawing.

He wrote: "Proposition 103 was not enacted to make it easy for insurers to terminate coverage, but to make insurance more available to Californians and to protect them against loss of coverage."

US capital gains tax cut 'likely'

By Peter Riddell

MR Nicholas Brady, US Treasury Secretary, yesterday expressed confidence after talks with congressmen that a cut in capital gains tax would be enacted this year, having been blocked last November after a lengthy battle.

At a post-budget briefing, Mr Brady argued that the new savings package would help lift the low US national savings rate towards historical and international averages, while helping to increase productivity, lower interest rates and raise the US standard of living.

Apart from a cut in capital gains tax, the package also includes a new family savings account with tax incentives for those making long-term savings and provision for individual retirement account participants to withdraw up to \$10,000 without penalty, prior to retirement, to buy a first-time home. This is provided the house costs no more than 110 per cent of the median price in the area.

Mr Brady's optimism about a cut in capital gains tax is justified by comments from Democrats. They believe some version will pass as part of a wider savings package of the kind proposed by the Administration and anyway being considered by Congress.

Canada puts brakes on interest rates fall

Dollar plunge brings caution to easing up on inflation fight, writes Bernard Simon

AN unexpected plunge in the Canadian dollar has strengthened the view that an abrupt fall in domestic interest rates earlier this month will not be sustained.

The drop in rates, which at one point narrowed the gap between US and Canadian short-term Treasury bill yields from 430 basis points (hundredths of a percentage point) to about 380 points, pushed the dollar down by almost three US cents, a far higher drop than foreign exchange traders had expected, or than the Bank of Canada apparently wanted. The dollar has traded lower than 84 US cents in the past week.

The tumble in the Canadian dollar caused by the relatively small fall in interest rates reinforces a widely-held view that the Bank of Canada's watchword is likely to be caution. The bank's governor, Mr John Crow, told a parliamentary committee earlier this week that rates "have to be reduced in a reasonable and sustainable fashion".

The sudden weakness in the currency by pushing short-term interest rates up. By Tuesday this week, the yield on three-month Treasury bills had climbed back to 12.3 per cent, compared with 11.9 per cent when the bank sent

its initial signal that it was ready to relax its interest-rate policy.

However, economists remain virtually unanimous that three-year period of high interest rates is over. According to Mr Crow, "we are doing our best to bring down interest rates".

Still, economists only differ on how far and how fast rates will fall

Where they differ is on how far and how fast interest rates will now fall. Toronto Dominion Bank's economics department expects rates to come down by "a couple of hundred" basis points by mid-year. On the other hand, the Conference Board of Canada forecasts that banks' prime rate will be 12.75 per cent in December, not much lower than the present 13.5 per cent.

The economy is showing clear signs of slowing, with some key sectors, such as motor vehicle and newspaper manufacturers, heading for the doldrums.

There is encouraging news on the inflation front, which has been the Bank of Canada's main concern since 1987. The consumer price index fell in

December for the first time in seven years. Seasonally-adjusted prices rose by an annualised 4 per cent in the final three months of 1989, well below the 5.2 per cent rate for the year as a whole.

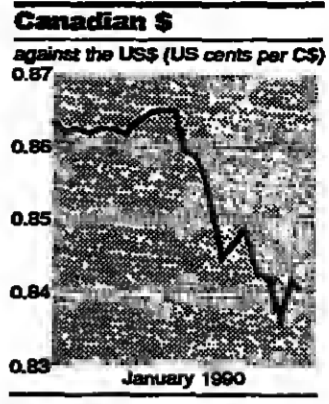
The central bank remains concerned that a steep drop in interest rates would raise the threat of fresh inflationary pressures. If the spread between US and Canadian rates narrows further, selling pressure on the dollar is bound to increase. ScotiaMcLeod, the Toronto securities firm, estimates that without central bank intervention, the dollar would drop to 78 US cents if the interest rate gap narrowed to less than 300 basis points.

With imports making up about a third of the consumer price index basket, a weak currency would have a significant inflationary impact. The Conference Board's chief economist, Mr Jim Frank, estimates that an average exchange rate of 82 US cents this year would drive the inflation rate up from 4.9pc to 6.1pc.

Ottawa can cushion the dollar's fall for some time by using some of its vast foreign exchange reserves, which have quadrupled to more than US\$16bn in the past three years.

The spectre of accelerating inflation has by no means vanished, despite the encouraging

news last month. Last year was the worst year for inflation since 1983. And there is little hope of a marked easing in price pressures over the next year, even though business activity is likely to slow further. (Many economists are predicting a short recession either late this year



in the wake of December's abnormally cold weather. A longer-term threat comes from demands for hefty wage increases, the very problem that prompted the Bank of Canada to launch its unusually independent interest-rate policy three years ago.

With a slowdown looming, unions are pushing for a bigger slice of the record corporate profits of the past few years. Several key labour contracts are due to be negotiated this year, notably those for the Big Three motor manufacturers and the construction industry.

Workers preparing their wage claims also have their eye on the 7 per cent Goods and Services Tax (GST), due to be introduced in January 1991 as a replacement for the existing manufacturers sales tax. The government estimates that the GST will give a one-off 1.35 percentage point push to the CPI, although many economists think that is optimistic.

With an eye on the GST's inflationary potential, the authorities will probably want to hold prices down by encouraging competition. One way to do that will be to avoid any excessive stimulus to the economy, which is one more reason why interest rates may not be allowed to fall much further until there is clearer evidence that inflation has been beaten.

Reagan diary called for in Contra case

THE JUDGE in the Iran-Contra case of ex-White House aide John Poindexter ordered former President Ronald Reagan on Tuesday to turn over certain entries from his personal diaries to the defence, Reuters reports from Washington.

Defence lawyers have described Mr Reagan as one of their most important witnesses, claiming he would provide crucial evidence showing that Mr Poindexter's actions had been known or approved. They issued a subpoena for his personal papers and records.

Judge Harold Greene, in a 16-page ruling, said Mr Reagan has until February 5 to give Mr Poindexter copies of all diary entries on six specific Iran-Contra categories and for 29 dates ranging from July 17 1985, until December 2 1986, right after the scandal became public.

Judge Greene said the subpoena seeks classified, and highly sensitive information.

He did not elaborate. Mr Reagan's diaries, if disclosed, could shed new light on his role in the affair that caused the worst crisis during his eight years in office. The scandal involved the sale of arms to Iran and the diversion of profits to US-backed Contra rebels in Nicaragua.

Judge Greene said it would be up to Mr Reagan to decide whether to assert executive privilege claims in refusing to turn over the diary entries.

If Mr Reagan claims executive privilege, there would be a hearing in open court on whether the diaries were material and crucial to Mr Poindexter's defence.

But Judge Greene already has reviewed the material in secret and it probably would be difficult for Mr Reagan and the Justice Department to change his mind and convince him that diary entries were not needed for Mr Poindexter's defence.

Inquiry agreed into killings in Mexican states

THE Mexican Government has agreed to an investigation into political killings in the states of Michoacan and Guerrero, writes Richard Johns in Mexico City.

In consenting to a bi-party inquiry, Mr Fernando Gutierrez Barrios, Minister of the Interior, made what amounts to a big concession after talks with leaders of the left-of-centre opposition Party of the Democratic Revolution (PRD) on Monday.

The Government had previously dismissed the hoodlums as a local affair in two states with a tradition of violence but the incidents are potentially embarrassing with the administration of President Carlos Salinas de Gortari trying to project an image of modernity abroad.

The PRD alleges that 52 of its activists have been murdered since the general election in July 1988 with the majority of the murders said to have been committed since the hotly disputed municipal polls on December 3 1988.

Phones group unveils \$10m education grant

US West, the Colorado-based telephone company quoted on Wall Street, yesterday unveiled an unusual \$10m corporate grant to fund early-childhood education programmes, writes Alan Friedman in New York.

The grant, one of the largest commitments to education by a private sector US company, is part of a \$26m education fund approved by Mr Jack MacAllister, the philanthropic 62-year-old chairman of US West. Mr MacAllister, who announced the early-childhood plan in New York, said the aim was to help train the parents of 600,000 children in 14 western states living below the poverty line. He said the number of economically disadvantaged children who could benefit nationwide stood at 4.5m.

US West's contribution, which will go to tax-exempt charities and some public schools, comes when the Bush Administration is being accused of devoting insufficient resources to education.

Falklands company urged to be more accountable

By Robert Graham

THE FALKLANDS Islands Company, which dominates the British dependency's economy, should retain its current identity but be made more accountable to the islands and become more involved in new business prospects such as mineral exploitation.

These are some of the conclusions contained in a consultant's report commissioned for the parent company, Anglo United, the mining and fuel distribution group.

This report follows Anglo United's takeover last August of Coalite the FIC's traditional owner. "We are pleased that it confirms the direction in which we already see the company heading and we certainly do not intend to dispose of it", Anglo United said yesterday.

The report, prepared by Environmental Resources, suggests the company must continue to balance its business development with the islanders' sensitivities over its controlling presence in so many sectors.

The FIC, for example, controls 27 per cent of the land and 32 per cent of the wool produced on the islands, 50 per cent of wool externally marketed, 75 per cent of shipping agency business and control of coastal shipping plus 80 per cent of non-military cargo between the UK and the Falklands, and 70-80 per cent of retailing.

To ensure local interests are heeded, the report suggests greater openness in the company's affairs, a resident chief executive (already implemented) and a degree of local equity participation.

On this development front, the report urges the undertaking of a comprehensive mineral survey of FIC-owned land. Anglo United appears more positive about developing FIC in the light of improved Anglo-Argentine relations. The two countries could resume full diplomatic relations following the next rounds of talks between the two sides next month in Madrid.

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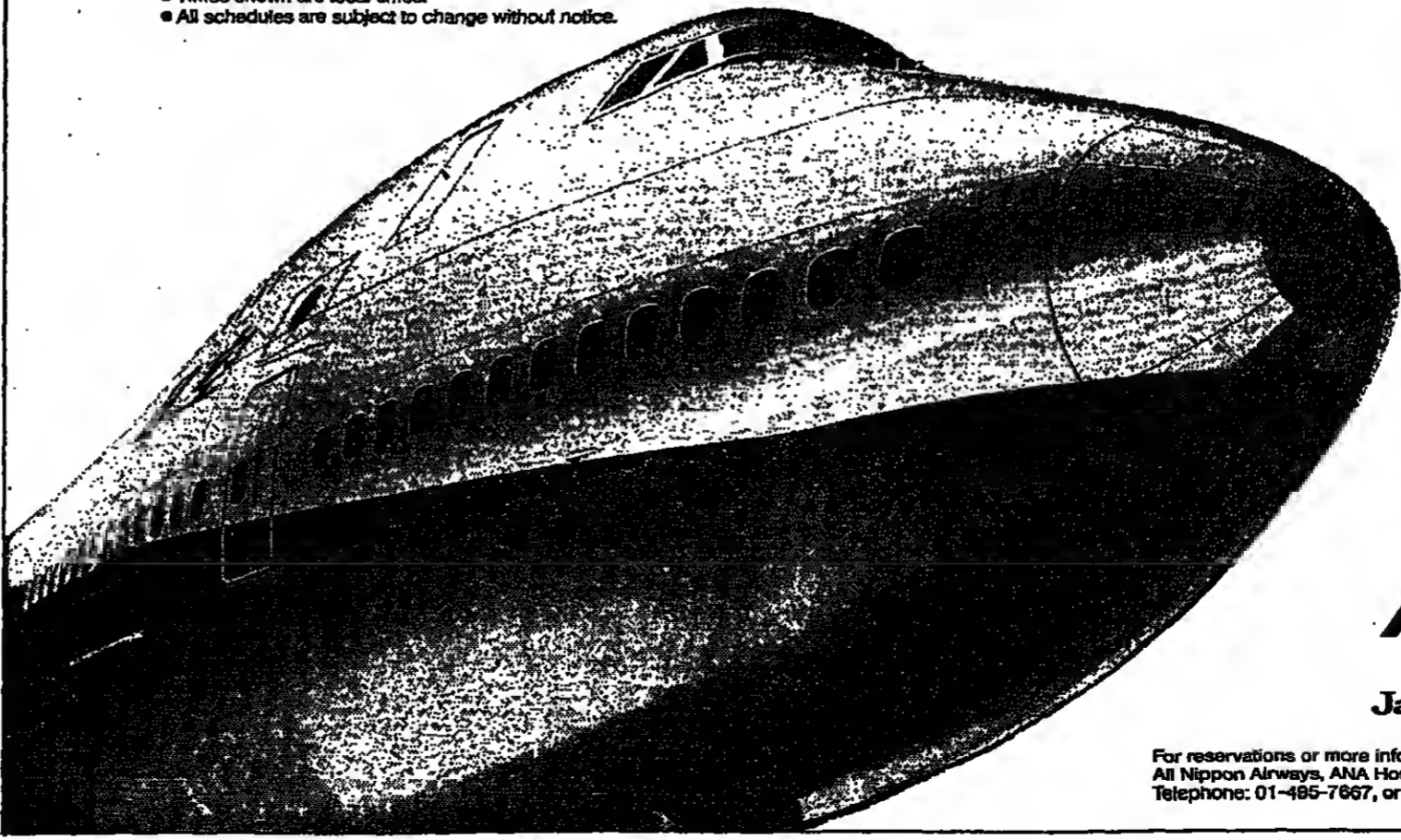
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WORLD TRADE NEWS

Machinery sales to East Germany 'likely to triple'

By David Marsh in Bonn

WEST GERMAN mechanical engineering companies are likely to triple sales to East Germany in the next two or three years...

This is the forecast of Mr Raimund Hörth, an expert on eastern European business at the German Machinery and Plant Manufacturers' Association (VDMMA)...

Japan vehicle exports drop by 3.6% to 5.9m

JAPAN'S vehicle exports fell 3.6 per cent to 5.9m in 1989, a year earlier, and are likely to continue dropping this year...

est vehicle exporter. "Japanese vehicle exports will be flat at best in calendar 1990," the JAMA official said...

Bill seeks to give US banks a fair deal abroad

By Nancy Dunna in Washington

THE chairman and leading Republican on the Senate Banking Committee have joined forces behind legislation requiring reciprocal treatment for American banks seeking markets abroad...

Targeted, particularly towards Japan, the legislation has the backing of Senator Donald Riegle, chairman of the Senate Banking Committee...

The US and Japan have a two-year construction market-opening agreement ending in May, which thus far has achieved disappointing results in dollar terms...

Japanese bend on contract barriers

US sees the door slowly opening to foreign bidders

THE Japanese construction market has begun to show signs of yielding to US pressure that it open its bidding processes to foreign contractors...

As a number of deadlines approach for US retaliation, movement has begun on several fronts which indicate that the Japanese have acknowledged that the US is serious in its demands for the market-opening.

The Polish Government has been warned industry will suffer widespread redundancies and even factory closures if it goes ahead with plans to limit exports this year...

total market estimated at almost \$500m a year. Skill Senator Murkowski and US industry see promise in the following actions:

● Thirteen joint venture agreements between US and Japanese companies. ● An easing of the licensing procedures which has yielded 14 licences for US companies, up from zero.

By the end of April, the US Trade Representative and the Department of Transportation must issue evaluations about access for US contractors to



Murkowski - encouraged with progress after four slow years

erties purchased by Japanese money and developed in the US and another third included projects for Japanese companies in the US. Mr Sako promised to pursue changes in Japan's anti-monopoly laws.

with the International Monetary Fund assumes Poland will run a hard currency balance-of-payments deficit limiting Western debt servicing to a minimum.

airport construction projects around the world. A negative finding could shut the Japanese out of US airport projects.

He is fully aware of the power of the construction lobby and says: "We're dealing with politicians that operate on the squeaky wheel theory".

Talks with Mr Konstantin Katushev, Soviet Trade Minister, on this year's as-yet-unsigned trade protocol showed Moscow is ready to import an extra \$1.5bn-worth of engineering goods...

Egypt pipeline transit fees raised by 25%

By Max Rodenbeck in Cairo

RESPONDING to buoyancy on the world oil market, the owners of the Sumed pipeline which traverses Egypt from the Red Sea to the Mediterranean have raised transit fees by a quarter and announced plans to boost capacity by 50 per cent.

Pipeline users paid an average \$2 per tonne last year. On January 1, the average cost rose to \$2.55.

The Arab Petroleum Pipelines Co, which runs the pipeline, says it is taking an increasing share of Gulf oil exports to Western Europe. Company officials said Sumed pumped 54m metric tonnes last year...

Iran signs \$1.2bn refinery contract

Iran has signed a contract with a consortium of Italian and Japanese firms to build a \$1.2bn oil refinery at the Gulf port of Bandar Abbas. Oil Minister Gholamreza Azaghadah said yesterday...

Hospital contract for Turkish group

TURKEY'S Pet Holding has been awarded a contract valued at \$70m (\$43.7m) to build a hospital for the Zibzab steelworks in Novokuznetsky, Soviet Siberia...

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UK NEWS

Insurers suffer as claims rise after year of disasters

By Patrick Cockburn

UK INSURANCE companies, members of the Institute of London Underwriters, paid out £500m more in claims than they received in premiums in 1989 because of an unprecedented series of serious disasters coinciding with low insurance rates.

Gross claims totalled £2.1bn against £1.6bn in premiums income, the annual ILU meeting was told yesterday.

Mr John Parton, institute chairman, said 1989 had been a year of catastrophes.

Hurricane Hugo was expected to cost insurers \$4bn, the San Francisco earthquake almost \$1bn, the Exxon Valdez spillage over \$500m and the Phillips Petroleum refinery in Texas more than more than \$1bn.

These losses came after the \$1.5bn cost of the loss of the Piper Alpha platform in the North Sea in 1988.

The institute, which groups 118 companies providing half of all the marine, energy and aviation insurance placed in London, stressed that the figures exaggerated final losses because they did not take into account either the reinsurance

protection taken out by insurers or multiple counting of some claims.

This was the first time the institute has published totals for premiums and claims.

The institute was also worried that both merchant vessels and jet aircraft were becoming old and more likely to suffer loss.

Mr Parton said that at the time of Piper Alpha he had expected premium rates to rise, but overcapacity in the market had ensured that underwriters continued to be squeezed between high claims and low premiums.

In aviation insurance he said the rate for aircraft hulls was 10 per cent of the 1986 level and liability rates little more than 20 per cent.

Despite last year's catastrophes the end of year renewal season has seen no end to the depression in premium rates.

Mr Trevor Scutts, past chairman of the Joint Hull Committee, said that the marine market was going to get worse before it got better though premium rates for oil rigs had strengthened.

Clothing company calls in the receiver

By Alice Rawsthorn

THE slump in the clothing industry claimed another casualty yesterday when Paisley Flyer, which employs 2,400 people mainly in the north-east England and the east Midlands, called in the receiver.

Paisley, one of the main manufacturers of knitwear and women's wear for the Marks and Spencer retail group, is the second large UK clothing company to have gone under this week. The news of its receivership came only a day after that of the Response Group, which employs 4,000 people.

The condition of the clothing industry has become increasingly precarious in recent months. Many companies have been struggling against weak demand and poor profitability for over a year because of sluggish consumer spending and intense competition from imports.

Paisley and Response both suffered from the downturn in the industry, but are trading profitably, albeit at a low level. Their chief problem was that they could no longer cope with their high borrowings.

The receiver, Arthur Anderson, hopes to find buyers for the Paisley companies.



Predicting success: Roger Poole hails people power

The ambulance dispute

Protesters attack Clarke's stand

By Ralph Atkins and John Gapper

THOUSANDS of protesters yesterday attended mass rallies at cities throughout Britain, in support of higher pay for ambulance crews. Unions estimated that more than a million of people took part in the protests.

Speakers at the rallies criticised the stand of Mr Kenneth Clarke, Health Secretary, who dismissed the rallies as "pointless" and reiterated the Government's call for ambulance unions to enter negotiations on local flexibility deals allowing

higher pay in return for more productivity. He said "publicity stunts" were irrelevant.

The protests, led in London by Mr Roger Poole, the ambulance unions' chief negotiator, attracted thousands of workers at rallies around Britain.

Mr Poole said the demonstrations had been "a massive show of people power." He said that the day of action had shown the Government that it had already lost the dispute.

Organisers said 20,000 people in Liverpool had attended a

rally, while 10,000 people joined a rally in Birmingham, and 5,000 joined rallies in Glasgow, Coventry and Leeds.

Groups of workers said to have stopped work included 3,000 civil servants at Companies House in Cardiff, 4,000 workers at two offshore yards in Teesside and miners at five pits in the Durham coalfield.

The Confederation of British Industry said the stoppages was "a limited gesture which does nothing to advance the search for a resolution of the dispute."

CBI warns of recession and rise in unemployment

By Simon Holberton, Economics Staff

THE CONFEDERATION of British Industry, the UK employers organisation, yesterday warned that Britain was on the edge of a recession and that unemployment would rise.

The CBI's warning came with the publication of its quarterly industrial trends survey which showed that business confidence was at its lowest level since October 1980.

The survey further indicated that over the past four months that there had been no growth in manufacturing output. Businessmen were pessimistic about future orders and plan to cut investment spending this year.

The only encouraging aspect of the survey was the sharp rise in optimism about exports. If the optimism is reflected in actual sales this would

mean that British companies have responded to the subdued growth outlook for the home market by seeking orders in foreign markets.

The CBI said companies had responded to the current strained economic conditions by cutting employment and would continue to do so.

Company profits, however, were being squeezed. Growth in the average unit cost of manufacturing was expected to rise in the coming four months at its highest rates since January 1982. A seasonal pick up in factory gate prices was also expected.

Mr David Wigglesworth, chairman of the Confederation's economic situation committee, said the economy was "poised on the edge of a recession." He added: "We just do not know whether it

is a slowdown or a recession."

The survey showed that manufacturing companies were planning to cut investment this year. In response to this the CBI was forecasting that growth in manufacturing investment in the first half of this year would be 4 per cent down on the same period in 1989.

Mr Wigglesworth said this was one of the most worrying of the survey's findings and renewed the CBI's call for a rise in investment allowances to 40 per cent from 25 per cent in his March Budget. This would encourage investment and would not be inflationary, he said.

The Treasury said the low level of optimism was consistent with the economy slowing down.

In the City economists expressed dis-

appointment with the survey's findings on costs and prices and cast doubt over the interpretation of the survey's questions about exports.

Mr Stephen Hannah, economist at NatWest Capital Markets, said the large proportion of companies planning to increase prices in the New Year was disappointing. "It makes us a little bit edgy about inflation," he said.

Mr Bill Martin, economist at UBS Phillips & Drew, said the survey showed there had been some pain experienced but said there was "considerably more to come" when cash flow pressures forced companies to cut stocks.

He added there was little correlation between expectations of exports and exports themselves.

See Page 16

Fujitsu set to raise UK investment

By Alan Cane

INVESTMENT BY Fujitsu, the Japanese electronics group, in its microchip manufacturing plant in north-east England at Newton Aycliffe, County Durham, is likely to top the £400m originally anticipated, and the plant is expected to produce higher technology chips than it had planned for.

Chronic worldwide overproduction of semiconductor memory chips, which is forcing prices down to levels where significant losses for many semiconductor manufacturers seem inevitable, has prompted Fujitsu to scale down plans to build what would be currently the most technically advanced chips available in favour of a product even more advanced.

It is understood that work on the plant - which had been intended to produce one megabit and four megabit DRAMs (read and write memory chips) - has been delayed for about six months while the company considered its options.

Mr Alan Roberts, chief executive of Sedgfield District Council in whose area the plant will be built, said yesterday Fujitsu was going ahead with its investment although the project had changed.

He said the transfer of the land to Fujitsu had taken place and the company had submitted planning applications, which were now going through the approvals process. While the exact type of chip to be manufactured remains commercial secret, analysts thought the likely outcome was a combination of 16 megabit DRAMs - the next generation of memory technology not expected to be in volume production until the mid-1990s - and application-specific integrated circuits (ASICs), custom chips produced in small volumes to fit a particular customer's needs.

The announcement in April last year that Fujitsu had chosen County Durham as the site for its first fully integrated microchip manufacturing facility in the European Community was seen at the time as a considerable coup for the UK.

The plant, which attracted £30m in regional selective assistance, will eventually create some 1,500 jobs.

IN BRIEF

Telephone costs ahead of EC rivals

Residential telephone customers in the UK pay more for phone calls than their counterparts in the other three leading Western European economies, according to figures published yesterday by the Office of Telecommunications, the industry watchdog.

Britain's business telephone users also fare worse than those in France and West Germany, but rates are lower than those in Italy, Otel said.

Otel calculates the cost of a representative basket of services in each country and compares it with a benchmark of 100 for the UK. The residential prices are: France 76, Italy 97, and West Germany 98. The business figures are France 88, West Germany 96 and Italy 120.

N Ireland split

Significant differences between Northern Ireland's Unionist parties about their campaign against the Anglo-Irish agreement have emerged as British and Irish ministers prepared to meet in London today.

An Ulster opinion poll showed 67 per cent of Ulster Unionists - regarded as the more moderate unionists - favour ending the boycott on dealings with Northern Ireland Government ministers. That compared with only 38 per cent of the Democratic Unionists, led by the Rev Ian Paisley.

Rapid rise in M4

The final money supply figures for 1989, released yesterday by the Bank of England, confirm the broad money measure M4 rose rapidly last year.

The year-on-year increase in M4, which includes bank and building society lending, was 18.1 per cent. The seasonally-adjusted figure for December showed a sharp rise in bank lending to £10.5bn in December, from £4.5bn in November.

Longer banking

Barclays Bank is extending the opening hours of nearly 2,300 of its branches from 3.30pm to 4.30 with full counter service. Mr Geoff Miller, director of UK banking, said the move was intended to improve service and was in response to growing customer demand.

Search for ship

A search was begun yesterday for the crew of the Flag Theano, a Greek-registered ship feared to have sunk after the bodies of two men were washed ashore on the Sussex coast.

Storm aid to Britain

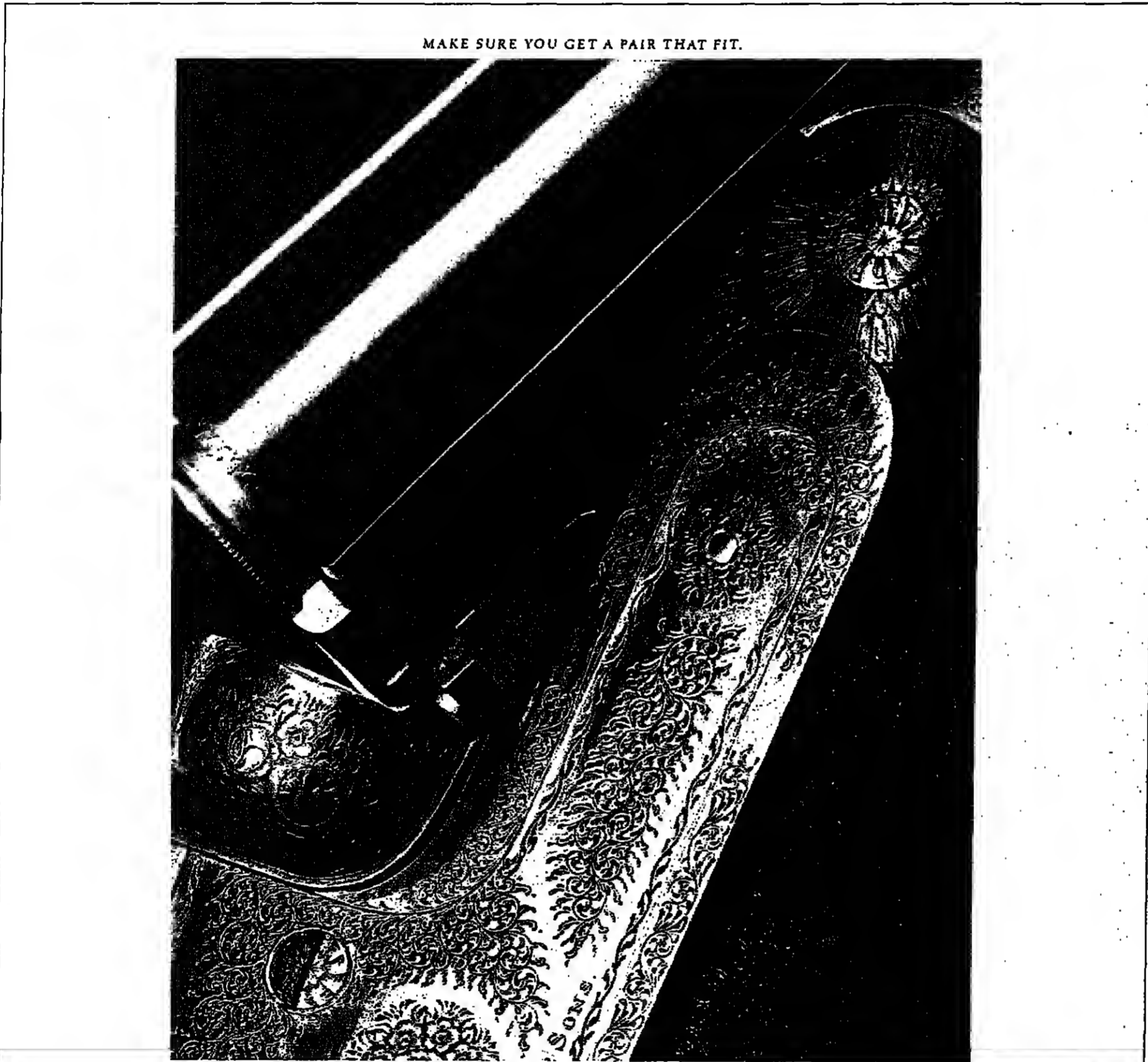
British victims of last week's storms are to receive £585,000 in emergency aid from the Brussels Commission in the largest national award the Commission has drawn from its disaster budget.

Housing limit raised

The Government has increased the cash limit of the Housing Corporation, which funds and supervises housing associations, by £120m in this financial year with a corresponding reduction in next year's budget.

US lecturer detained

An American lecturer, aged 40, was being questioned by Irish police yesterday about the discovery of an incendiary device in his luggage at Dublin airport. The Californian, travelling with his wife and child, was stopped when a police scanner detected the device.



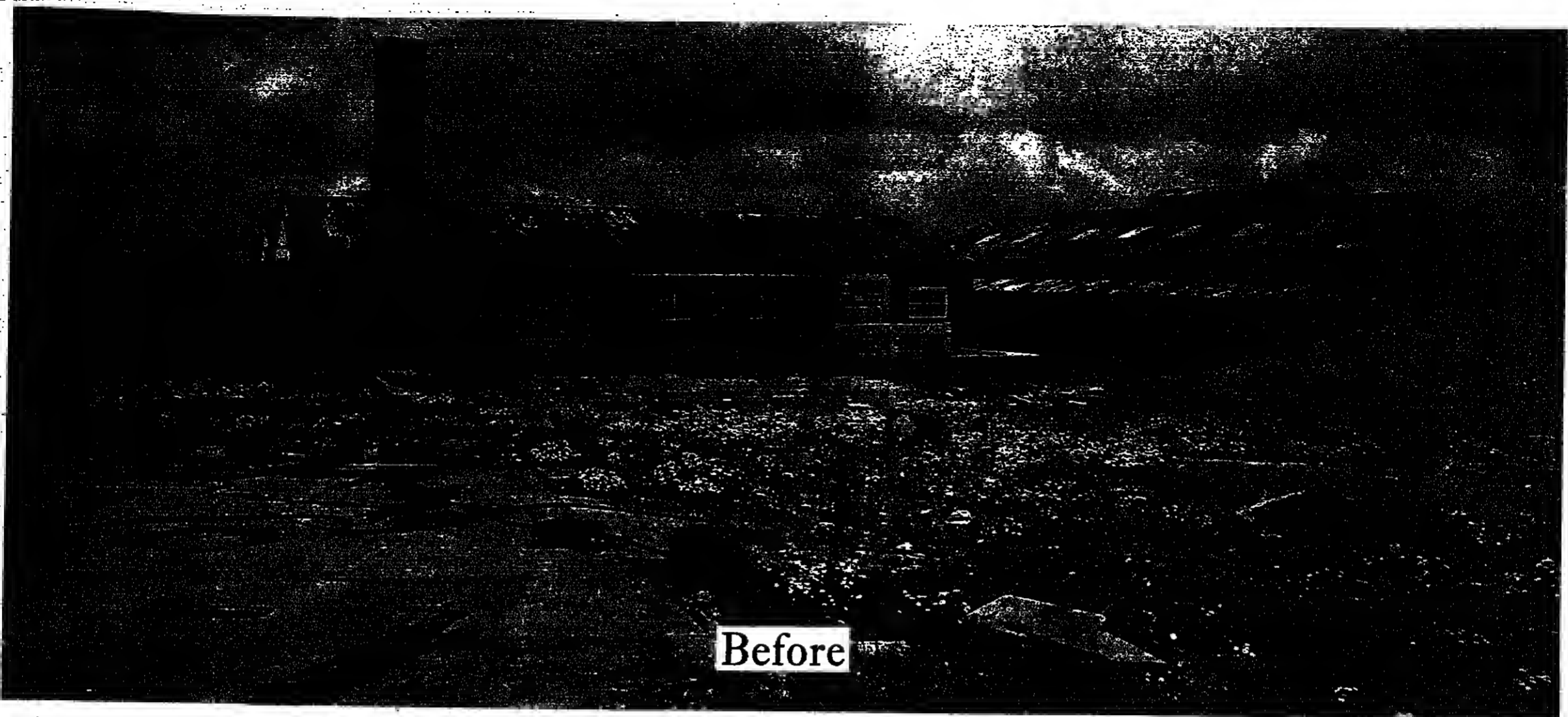
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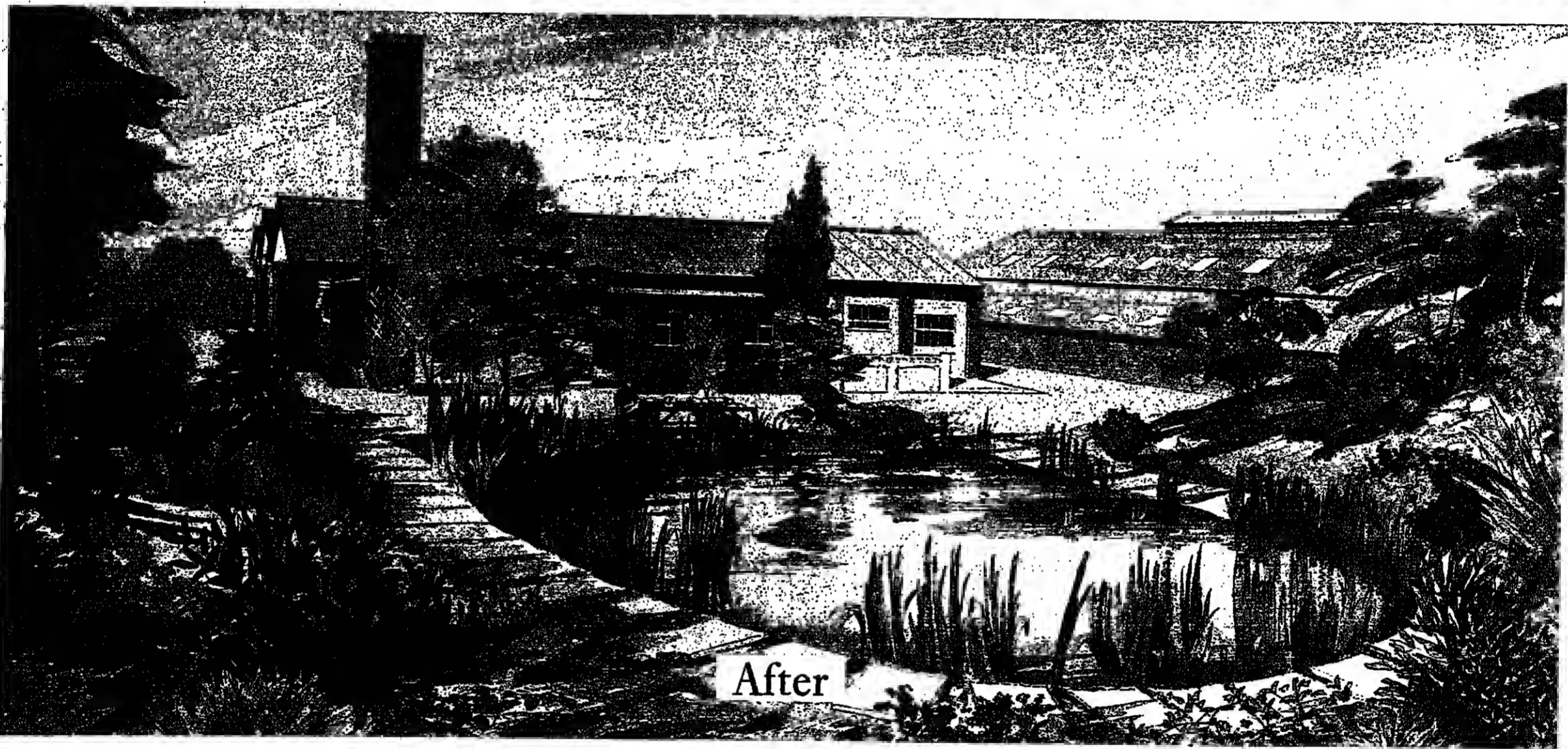
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FT 2

YOU CAN BE SURE OF SHELL

Father must pay tax on daughter's school fees

GLYNN v
INLAND REVENUE
COMMISSIONER
Privy Council (Lord Keith of
Kinkel, Lord Templeman, Lord
Griffiths, Lord Ackner and
Lord Lowry), January 22 1990

SCHOOL FEES paid by a company under its employee's contract of employment, are a "perquisite" derived from his employment, and are therefore assessable to salaries tax under Hong Kong law.

The Privy Council so held when dismissing an appeal by Mr David Hardy Glynn from a decision of the Hong Kong Court of Appeal that he was liable to pay salaries tax on school fees paid by his employer, Intergroup Associates Ltd.

LORD TEMPLEMAN said that by an agreement dated April 1 1982 Mr Glynn agreed to work for Intergroup as an executive director for HK\$5,000 a month and on terms that the company would pay his children's education costs.

It was agreed that primary liability for payment of his daughter's fees to Roedean School should be borne by the company. Mr Glynn became liable to pay only if the company defaulted.

The Board of Review held that the school fees constituted income from Mr Glynn's employment assessable to Hong Kong salaries tax.

By section 8(1) of the Inland Revenue Ordinance as amended, salaries tax was charged on Hong Kong income from any office or employment. Section 9 provided that income from any office or employment included "(a) any wages, salary . . . whether derived from the employer or others . . ."

The Commissioner contended that each sum paid by the company to Roedean School was a requisite liable to salaries tax. Mr Glynn contended that a requisite must be a sum of money paid to an employee if it was to be taxed.

Mr Glynn pointed to Section 11B of the Ordinance which provided that assessable income was the aggregate amount of income "accruing" to the employee from all sources. Section 11D(b) provided that income accrued to a person when he "becomes entitled to claim payment thereof."

Mr Glynn, it was said, never became entitled to claim payment of the school fees paid by the company to Roedean.

Alternatively, it was submitted, Mr Glynn was not taxable in respect of the school fees because income only included the value of a requisite. Since the right to require payment of school fees could not be sold, that right was a requisite which had no calculable value in money terms and therefore could not be taxed.

The principles of the Inland

Revenue Ordinance were based on the provisions of UK Income Tax Acts with modification to meet the requirements of the Hong Kong economy and establishment. Taxation of a requisite involved the same problems in Hong Kong as in the UK. Consequently UK legislation and decisions would provide some assistance in construing the Ordinance.

In *Tennant v Smith* [1892] AC 150 the Revenue sought to tax an employee on the value of free accommodation. The House of Lords held tax was not payable. In *Heaton v Bell* [1970] AC 728 Lord Diplock summarised the effect of the decision. He said that *Tennant v Smith* "placed a judicial gloss on the word 'requisite' by confining it to actual money payments and to benefits in kind . . ."

Although a requisite must mean the payment of money, common sense required that a requisite must also include money which could be obtained from property which was capable of being converted into money.

In *Hartland v Diggins* [1926] AC 239 a shipping company voluntarily paid tax on employees' salaries. It was held that that payment was part of the employee's profits. Viscount Cave, Lord Chancellor, said "the appellant did not receive cash in his hands, but he received money's worth . . . that being

so . . . the payment was in fact part of his profits . . . properly assessed to tax."

The result of the authorities was that a requisite included money paid to the taxpayer and money expended in discharge of a debt of the taxpayer.

The amount which the employer agreed to pay might fluctuate. If the annual school fees were increased the benefit to Mr Glynn would increase correspondingly, but the amount of the payment would be ascertainable and taxable.

If the burden became too onerous for the company because the number and expense of Mr Glynn's family, no doubt the company would seek revision of the contract or terminate it.

An employer might provide some advantages for an employee which did not involve expenditure of money for the employee's benefit, or which involved expenditure which could not be attributed wholly or proportionately to one employee.

For example, if an employer contracted to provide a nursery school for employees' children and to allow each employee to use its facilities, no identifiable sum was expended for the benefit of any particular employee.

Money might also be expended indirectly for the benefit of an employee without being taxable. For example, if a

contract of service did not provide for medical expenses the employer might voluntarily pay the expenses of transporting and treating an employee's child.

For present purposes it sufficed to say that an identifiable sum of money required to be expended by an employer, pursuant to a contract of service for the benefit of its employee, was money paid at the request of the employee and was either part of his salary or was a monetary requisite taxable as such according to UK law and authorities.

Salaries and perquisites must have the same meaning in Hong Kong law, which was based on UK law, provided that Hong Kong legislation did not attach different meanings to those expressions.

There was nothing in section 9 to suggest that "salary" and "perquisites" did not include sums contracted to be paid by the employer for the benefit of the employee.

Mr Finson for Mr Glynn submitted that section 11D(b) showed that income was only taxable if payment was to be made to the taxpayer.

But section 11D provided that income accrued to a person when he became "entitled to claim payment thereof." Mr Glynn was at all times entitled to claim payment of school fees by the company pursuant to his contract of service. If Hong Kong legislation intended that only sums paid in cash to a

taxpayer should be taxable the Ordinance would require different language to achieve such an absurd result.

In *Armstrong* [1937] AC 885, 896 Lord Maugham said it was well-settled that in interpreting a dominion or colonial taxing statute containing no reference to its origin or history, it was not permissible to consider the evolution or history of any British statute from which terms or sections might have been taken, "or to rely on decisions as to the true interpretation in the courts of Great Britain of those terms or sections."

That statement did not however, prevent application of the logical and sensible principle that expressions employed in British legislation and authorities on the meaning of such expressions were of assistance in construing identical expressions in Hong Kong legislation.

Hong Kong legislation might of course, provide to the contrary, but in the present case perquisites not expressly exempted from salaries tax under the Ordinance were no different from perquisites not exempted from tax under the Income Tax Act. The appeal was dismissed.

For Mr Glynn: Barry Finson QC (Charles Russell Williams & James).
For the Revenue: Andrew Park QC and Bernard Whaley (MacFarlanes).

Rachel Davies
Barrister



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Britain reduces spending on EC agricultural policy

By Bridget Bloom

BRITAIN has cut the amount it spends on the European Community's common agricultural policy (CAP) over the past three years and is expected to continue to decrease in real terms for the next three years, according to the Government's policy document on public expenditure released yesterday.

The Ministry of Agriculture, Fisheries and Food will also spend less in real terms on so-called structural measures which include environmentally friendly farming schemes and control of pollution by farmers. Total spending on CAP-supported commodities declined from £1.89bn in 1987-8 to an estimated £988m in the current year.

Savings of some £150m for 1990-91 and £160m in 1991-2 are projected, giving total spending of £1.28m and £1.47m on the CAP in those years.

The principal reason for the saving, according to MAFF, is that the reforms of the CAP, introduced in 1988, are beginning to bite, with a 2.8 per cent real reduction in average support prices across the European Community.

Lower cereal harvests both in the EC and in north America have also helped to cut spending.

Spending on the so-called structural measures, which range from capital grants for farm improvement to environmental and tree-planting schemes, are to increase in cash terms from £217m in the current year to £228m in 1992-3.

This represents, however, a decrease in real terms from £192m to £183m. The main reason appears to be that the Government's decision, announced a year ago, to shift the emphasis from capital grants which raise production to those which control pollution, can now be seen as marking a decline in capital grants.

However, one set of grants which are set to increase substantially are those for land taken out of production. In 1990-91 these set-aside schemes, applied to about 110,000 hectares or 2.3 per cent of the eligible arable area in the UK, will cost £22m, rising to £33m in 1991-2 and £44m in the following year. The Government claims this cost is likely "to be less than cost outweighed by savings to the Exchequer from lower production."

Rover deal with unions at Cowley

By Michael Smith, Labour Correspondent

ROVER GROUP, the UK vehicle manufacturer, has agreed a deal with unions at its Cowley plant on the potential use of binding arbitration as a means of solving locally-based industrial relations disputes.

Union leaders were stressing last night that the agreement does not rule out the possibility of strikes. It does not apply to pay issues, which are determined nationally, and arbitration is only brought into play if both sides agree to it.

None the less the agreement adopts elements of the pendulum arbitration method of resolving disputes. If the two sides do agree to arbitration they would submit their final positions in a dispute to an independent panel which would then choose one or the other.

Rover is the second UK vehicle company in two months to agree a deal with unions which is aimed at avoiding strikes. In December, Vauxhall - a subsidiary of General Motors - negotiated a continuity of supply agreement with its Ellesmere Port, Merseyside, workforce. Like the Rover deal, this introduced the possibility of arbitration, if both sides were willing.

World Student Games reveal funding gap

By Ian Hamilton Fazey, Northern Correspondent

UNIVERSIAD GB, the company set up to run the World Student Games in Sheffield, northern England, next year has debts of £2.5m and has still to raise the bulk of the £27m it said yesterday would be the new cost of running the event.

It is, however, still solvent and is relying on a local drive for sponsors to bridge the gap until large international sponsorship can be secured.

Organisers are still confident of achieving this in spite of the further disclosure yesterday that neither the BBC nor ITV networks want to run the television coverage.

TV coverage in prime time is essential to achieving a cascade of sponsorship for the games, the biggest outside the Olympics, which are scheduled to see teams from 120 countries competing in 11 sports.

Organisers yesterday confirmed building costs of stadium and facilities have overshot to £140m from £111m - the figure still being quoted by the games' organisers only last September.

This money was borrowed on the open market by a sister company when interest rates were still at 10 per cent, but will be repayable by Sheffield's poll tax payers over the next 22 years, adding at least £30 year to poll tax bills.

Yesterday's new figures show that Universiade GB spent £3.9m in the 27 months to the end of last year, against revenue from sponsors of only £700,000.

They come from an audit and review by two firms of accountants, Peat Marwick McLintock and Pannell Kerr.

Foster, which was presented to Universiade's board of council and business leaders on Monday.

Money spent includes a previously unknown final figure of £350,000 to win the bid. Of the rest, £1m has gone on marketing, £750,000 on salaries, £200,000 on interest charges and the rest on general running costs.

The company reached its city council-guaranteed overdraft limit of £1m just before Christmas.

This precipitated a cash crisis when the board discovered that £3m promised in monthly instalments by the Sports Council was subject to Treasury-imposed conditions that stopped its use to guarantee further borrowing.

Universiade sacked Mr Peter Burns, its chief executive in an acrimonious row, while Mr Danny Simpson, the finance director, resigned two weeks ago.

Mr Norman Adsett, chairman of Sheffield Insulations, who was described yesterday as Universiade's new "acting chief executive," said that Mr Burns' departure was the result of the "irretrievable breakdown of communications with the rest of the board."

Mr Burns remains in dispute over unpaid contract fees and said yesterday he would be pressing for £50,000 owed him.

He said the audit and review showed that he could not have been in breach of contract himself - the reason for which he was told he was being sacked without notice or compensation.

Mr Adsett also revealed that the company's fifth business plan had to take account of two large previously unbudgeted items.

About £2m will have to be spent temporarily refurbishing a disused block of council flats as part of the village for the games' 6,000 competitors and officials. The Government had been expected to pay for this but has refused while up to another £2m will be needed to provide for television coverage.

The latter stems from failure to sell the games to either the BBC or ITV companies as host broadcasters.

Universiade GB will have to arrange its own television coverage using independent contractors. A senior manager is already in Auckland, half way through a trip to Japan and the US, discussing the sale of pictures to television companies.

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Campaign urges businesses to prepare for single market

By Anthony McDermott

THE DEPARTMENT of Trade and Industry (DTI) launches a £2m advertising campaign tomorrow aimed at pushing half a million small and medium-sized businesses in Britain into making overdue preparations to meet European competition when the EC becomes a single market in 1992.

This forms the second phase of the DTI's single market campaign "Europe Open for Business", which began in March 1988. It has so far cost £13.6m, of which £2m was spent on television advertising.

Yesterday, Lord Trefgarne, the UK Trade Minister, said there was ample evidence that, as a result of the initial campaign, virtually every business in Britain was aware of the single market. "Some 50 per cent are also taking action - but I am concerned about the many firms, particularly the smaller ones, who still have to act, saying that the single market is of little or no relevance," he said.

While the DTI is leading this campaign to draw attention to its services, which include pamphlets, brochures, videos and a hot line, it will depend heavily on chambers of commerce, trade associations and professional advisers in banking, law and accountancy to provide companies with both information and advice.

Earlier, 600 businesses and organisations were contacted by the DTI. From those employing fewer than 500 people, only 30 per cent had responded, prompting the DTI into this second phase.

The new campaign is to last until the summer, when, on the basis of returns, a decision on whether to continue the campaign will be taken.

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King criticises US civil aviation policy

By Paul Abrahams

LORD King, chairman of British Airways, the UK flag carrier, yesterday criticised aspects of US civil aviation policy which prevents non-US airlines operating American domestic routes or owning US carriers.

During a speech to the American Chamber of Commerce in London he repeated complaints he made last November about the restrictions on free trade which the US imposes on international airlines.

Referring to the virtues of free competition he said there could be a gap in Washington DC between what is preached and what is practised. The distinction between foreign and domestic carriers was in many areas an anachronism, said Lord King.

He pointed out that 36 per cent of BA's shares are owned by non-UK nationals and that 25 per cent are in US hands. "We need to bury bilateralism and usher in a new era of free trade in aviation."

When BA sought last year to participate in the buy-out of United Airlines, the US carrier owned by UAL, it was advised that the US Secretary of State



Lord King: call for open skies

for Transportation was unlikely to permit an airline that is one quarter American to own more than 15 per cent of a US airline.

He warned that until the nationality rule is relaxed, BA would object to a US company buying a British airline or any carrier in the European Community.

By January, 1993, airlines in the EC should be free to carry cargo and passengers between one city and another anywhere in the Community.

Heron expands US property portfolio

By Paul Cheseright, Property Correspondent

HERON Financial Corporation, which handles the US property investments of Heron International, the UK-based multinational, has joined up with institutional investors to buy three portfolios of residential property in Texas and New Mexico worth about \$100m (£59.6m).

Heron International is a conglomerate with interests stretching from filling stations through major distribution to financial services and property. One of the largest private groups in Europe, it is controlled by Mr Gerald Bonson.

The latest purchase has been timed to take advantage of what is expected to be a rise in property markets which, in recent years, have seen values collapse. The properties are 17 buildings comprising 4,100 high-grade apartments in Austin, Dallas, Houston, San Antonio and Santa Fe.

Mr Alan Goldman, a director of Heron International, said the properties showed yields which covered interest charges. It would cost twice as much to construct them now as it did to buy them, he added.

Heron is seeking to expand its US property portfolio, currently valued at about \$500m, and is concentrating its search on apartment buildings. In the US, it owns 31 apartment buildings, two hotels and over 3m square feet of office and retail space.

The group has been much more expansive geographically than most British property companies. It has investments across continental Europe as well as a development programme within the UK.

Lancia plans increase in UK motor sales

By John Griffiths

LANCIA, the Italian car manufacturer, hopes to increase its UK sales by nearly 50 per cent this year following the launch on March 1 of its medium-sized saloon, the Dedra.

The Dedra, which Fiat's executive cars subsidiary sees as a rival for the BMW 3 Series, Audi 80, and Volvo 440 amongst other cars, has been on sale in most continental markets since last year.

Fiat Auto (UK), the Italian vehicle maker's wholly owned subsidiary, expects to sell 2,000 Dedras, plus 1,000 Thomras, its larger executive model, 1,000 Y10 small hatchbacks and 700-800 Delta hatchbacks. Last year Lancia's total UK sales were 3,201 - a drop of nearly 23 per cent compared with 1988.

The poor sales performance was a key factor which led the Italian car maker eight months ago to reassess control of the Lancia franchise in the UK from Lancia, a Heron Corporation subsidiary which had held it for six years.

In the longer term, Lancia intends to bring its UK market share, currently 0.14 per cent, closer to its 2.2 per cent average for western Europe as a whole - although this figure includes a 9.9 per cent share in Italy.

Fiat spent £200m on developing the Dedra, a larger and more powerful replacement for its Prisma saloon. It built 47,000 Dedras last year, and in a full year expects to make between 90,000 and 100,000.

The new car was instrumental last year in lifting Lancia's total production to \$12.6b, a 15 per cent increase on 1988 and the first time Lancia's output had exceeded 300,000.



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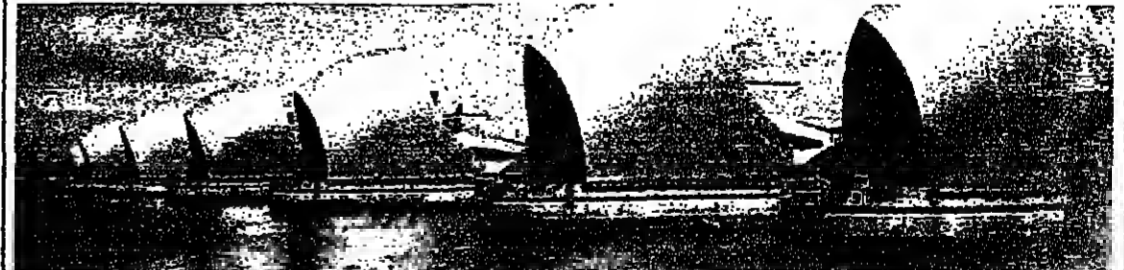
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Clarke's Star
Employment
Telephone costs
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MANAGEMENT

On the second day of our report on British Aerospace, Paul Betts and David White assess the group's civil and military operations

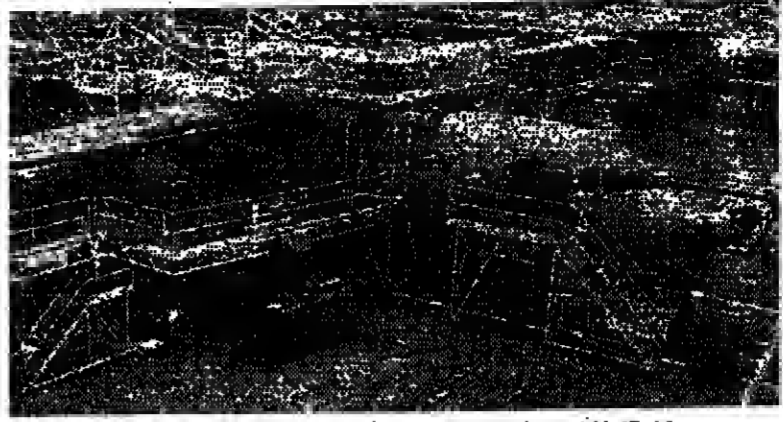
An outburst of enthusiasm

The slightest mention of British Aerospace produces immediate reactions of agony and ecstasy in Toulouse these days. The 13-week old strike at BAE's plant at Chester, which manufactures the wings for all the family of Airbus airliners, is now threatening to bring final assembly of Airbus aircraft to a complete halt in Toulouse, the headquarters in south west France of the four nation European aircraft consortium.

But in the last few months, the top brass at BAE have gone out of their way to stress the importance they now attach to Airbus and European co-operation in the commercial aircraft business. There are good reasons for BAE's sudden outburst of enthusiasm for Airbus. Although it has a number of other commercial aircraft programmes of its own, BAE's fortunes in the civil aircraft business are now inextricably linked to those of Airbus. "Airbus is a fundamentally important part of BAE and we are wedded to making Airbus successful," declares Sid Gillibrand, the head of BAE's aerospace and defence activities.

Indeed, Airbus is not only likely to weigh heavily on BAE's commercial aircraft operations but also on the fortunes of the group as a whole. The long-term prospects of Airbus are increasingly encouraging, the consortium's turnover is forecast to rise from \$5bn last year to around \$10bn by 1995. Sustained production rates and a bulging order book for its family of airliners is likely to see Airbus making its first profits in the mid-1990s.

BAE is anxious to see the sort of co-ance at Airbus which would enable the consortium to translate commercial into financial success. "We would like to see it having the shape of an industrial company producing a wide range of aircraft," explains Gillibrand. The way forward, he says, is to turn the consortium into a more profit-oriented commercially minded enterprise.



Assembly of the 100-seater BAE 146 regional jetliner at Hatfield

believes the aircraft has potential but concedes that it "does have to prove its position in the market place." By contrast, the group's other turbo-prop programme, involving the 19 seat Jetstream 31 and the recently launched Jetstream 41 stretched version of the aircraft, is turning into a success story. Dixon says the Jetstream 31 has repaid its launch cost and has now reached the breakeven point.

In the haogar at Warton, Lancashire, two dozen Tornado combat aircraft await completion, as innocent as chicks in their matt yellow undercoats. The discreet tail-markings on this cool half-hill-loop worth of hardware show which machines are earmarked for the RAF and which for Saudi Arabia. Warton and the Tornado are the core of British Aerospace's military business. The youngest of its military aircraft centres, Warton has set the pace for the commercially-oriented style that the company has tried to instil throughout its defence activities.

asset-stripping. Over the past few years, BAE has had to adapt to tougher procurement practices by the Ministry of Defence, and now faces the uncertainties about future defence spending cuts. BAE is too wide-ranging to be unaffected, although it counts on continuing growth in defence weapons and high-technology areas.

readiness for strategic moves ahead in European aerospace. Evans is a standard-bearer of the "Warton culture." He joined the predecessor company, British Aircraft Corporation, there over 20 years ago. The other main military aircraft centres, the former Hawker site at Kingston-upon-Thames, where the Harrier is now made, and the plant of the former Blackburn company at Brough, North Humberside, go back to the origins of military flight. Warton developed after World War II and has had a series of successes: the Canberra, the Lightning, and the Tornado.

BAE's activities in Airbus have been grouped in a separate subsidiary within the group's commercial aircraft company. This is part of the radical reorganisation of BAE's management structure carried out two years ago in order to decentralise authority and to create a series of separate profit and loss centres. Focused on their specific markets, these were intended to respond to a tougher international competitive environment both for commercial and military aircraft.

Collaboration - a defence against cost-cutting



John Weston: commitment to his side of the business

and its construction business, its share dropped from more than 50 per cent to barely 40 per cent of group sales. This partly reflected growth in commercial aircraft and cars, but also a slowdown in the weapons business.

armed services. A joint Defence Marketing Organisation embraces aircraft and guided weapons. Quite how the new BAE-Thomson missile group, Euro-dynamics, will fit in is still unclear, however. The two partners are setting up a joint non-trading management company and have given it a year to form a fully-fledged joint venture with expected annual sales of £1.4bn.

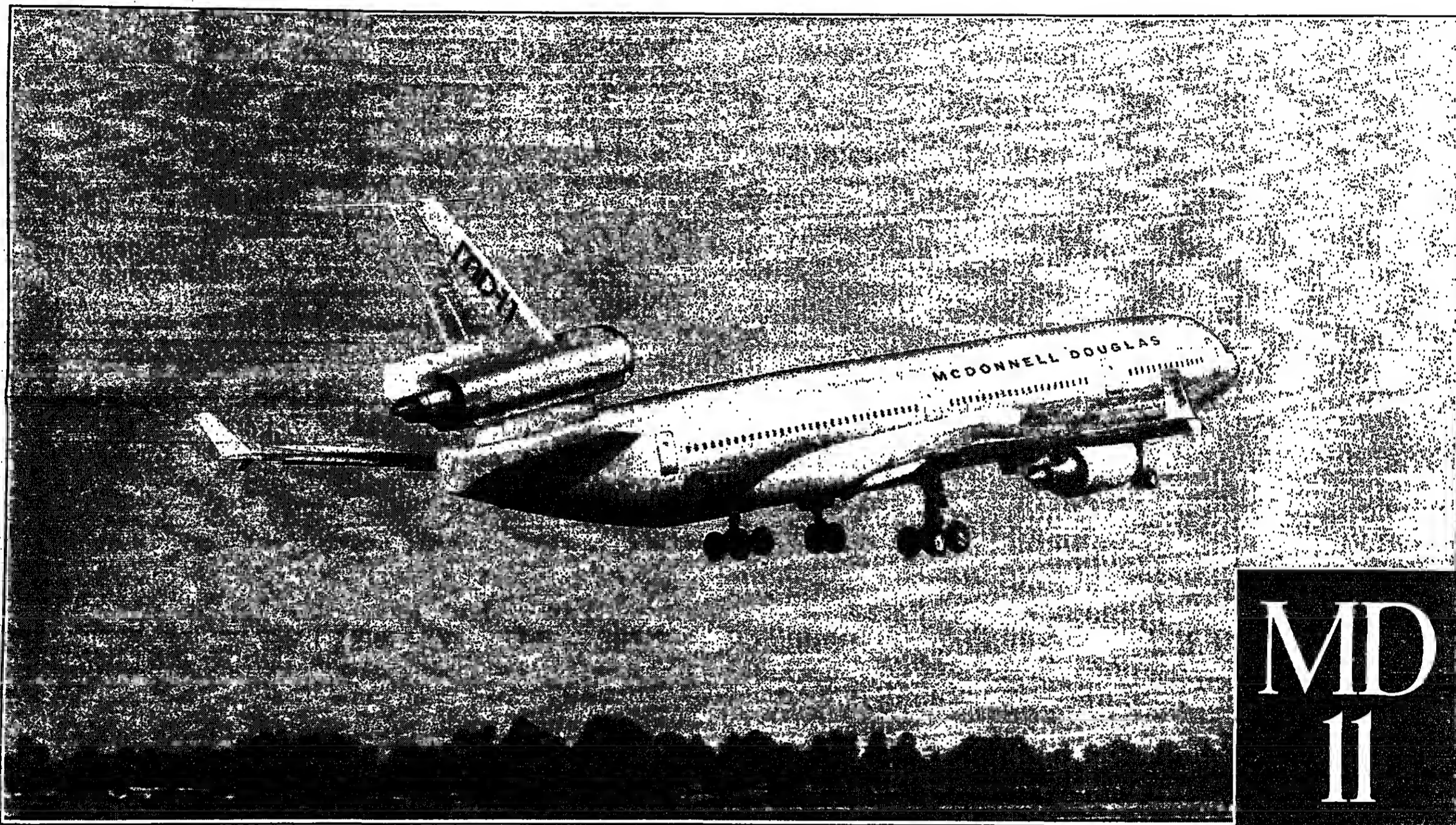
technology. However, growth prospects for BAE's weapons activities are in some question. One of Dynamics' biggest projects, Trigat, a family of anti-tank missiles being developed jointly with the French and West Germans, is opposed by some top British Army officers. Cancellation would be a considerable blow.

competitiveness, even after closures affecting 3,500 jobs which have plunged the company into a political row about profitable land sales. In aircraft, the main question hangs over the European Fighter Aircraft, five of which are coming together in Jigs at Warton. Despite rumours of possible West German withdrawal, Weston believes cancellation is "highly unlikely."

Advertisement for Central Region. Title: SUCCESS IN THE PIPELINE. Text: Investment has flowed into Grangemouth, one of the UK's principal petro-chemical complexes, since the early 1920s. And successful investment continues today not only by B.P. and I.C.I., but by major foreign-owned companies such as Borealis, Shell and Esso. They take full advantage of the oil, gas and natural chemical by-products present at Grangemouth. And they benefit from the area's approved framework of environmental and planning controls. But not only the petro-chemical industry is successful in Central Region. Engineering, textiles, financial services and paper and packaging evidenced by the presence of companies of the highest status in the region, from Ashby to Stirling.

Advertisement for Ferranti International. Title: FERRANTI INTERNATIONAL. Text: To the holders of Ordinary Shares in Ferranti International plc. An Extraordinary General Meeting of Ferranti International plc ("Ferranti International") has been convened for 10.00 a.m. on Monday, 5th February, 1990 to approve, inter alia, the issue by way of rights of new Preferred Ordinary Shares to raise £187.1 million of equity (the "Rights Issue") and the creation of the Special Shares. In order to help safeguard the future of the Group, it is essential that the arrangements for the Rights Issue remain in place pending completion of the sale of Ferranti Defence Systems Group to The General Electric Company, p.l.c. ("GEC"). Discussions continue with the underwriters and the Company's bankers to achieve an extension of the underwriting period for the Rights Issue. If such agreement is reached, the Board of Ferranti International (the "Board") intends to propose an adjournment motion at the Extraordinary General Meeting on 5th February, 1990 to give time for the sale of GEC to be implemented. However, in case the underwriters or the Company's bankers do not agree to the adjournment of the Extraordinary General Meeting, the Board unanimously recommends all shareholders to vote in favour of all the resolutions to be proposed at that meeting.

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FINANCIAL TIMES

Wednesday January 31 1990

PLANT & TOOLS WOLSELEY The name behind the name

Bush 'to propose new troop cuts in Europe'

By Lionel Barber and Peter Riddell in Washington

PRESIDENT George Bush is tonight expected to announce new proposals to reduce US and Soviet troops in Europe...



James Baker: visit to Moscow and Prague next week

Increasingly concerned that events in the Soviet Union and Eastern Europe are spinning out of control...

Current discussions have been overshadowed by uncertainty over the position of Mr Gorbachev...

UK spells out cost of forces in Germany

By David White, Defence Correspondent, in London

DEFENDING the central front in West Germany is costing the UK almost as much as it spends on defence of its own territory...

operating costs of equipment, and capital works, as well as a share of the cost of general support...

threat since last May when the Nato alliance agreed its current position. The west has called for cuts in US and Soviet troop numbers to 275,000 each...

Eastern Europe. Apart from East Germany, the main immediate concern is Romania where the State Department has warned publicly...

Agreement on tariff cuts breaks deadlock

INTERNATIONAL trade officials agreed yesterday, after more than six months of bargaining, on a compromise procedure to negotiate import tariff cuts...

when the current round of Gatt negotiations ends in December. Under the procedure all participating countries will submit proposals for reducing, eliminating and binding tariffs...

such as textiles, where the US tariff is still relatively high. The EC had pressed for across-the-board tariff cuts for industrial products...

Tumbling bond prices push 'deal' stocks lower

By Anatole Kaletsky in New York

COLLAPSING confidence among takeover speculators and rumours of financial pressures on some arbitrage funds yesterday sent 'deal stocks' tumbling on Wall Street...

Violence erupts during S Africa cricket tour

called the "strong-arm" tactics of the past, and allow peaceful political protest. The clashes highlight the difficulties Mr de Klerk may find in getting police to follow his orders...

BCCI had 'policy on drugs money'

By Tom Brennan in Tampa

THE Luxembourg-registered Bank of Credit and Commerce International operated a corporate policy from the highest levels of the bank to take as many deposits as it could without being "too choosy" where they came from...

US slowdown 'temporary' Greenspan says

Continued from Page 1

chances of recession had declined since last spring. He said both probabilities were much smaller than occurred at the start of each of the four recessions since the late 1960s...

WORLD WEATHER table with columns for location, temperature, and weather conditions.

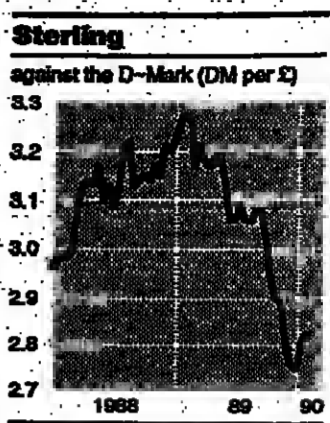
Bonn set for export call

Continued from Page 1 tary application - especially in the Soviet Union - and the US security services complain that digital telecommunications makes eavesdropping more difficult...

puters. The previous limit was 10-bit. Bonn officials say the move on computers is helpful and has been aided by a strong lobby in the US and the interest of the US financial services industry in establishing itself in the east bloc...

The growing pain of big companies

The real puzzle in the CBI's quarterly trends survey is why large companies have suddenly become so pessimistic. On exports, companies with more than 5,000 employees report a sharp deterioration in both orders and confidence...



Not that German bank shares will become fodder for income funds overnight. On the theoretical ex-rights price of DM804, Deutsche's DM14 dividend for 1989 gives a yield of just 1.74 per cent...

US arbitrageurs

As long as the US arbitrage community could bid up stocks like UAL, Hilton and Sea Containers on the slightest whiff of a deal, it was hard to be too bullish about Wall Street's immediate prospects...

Deutsche Bank

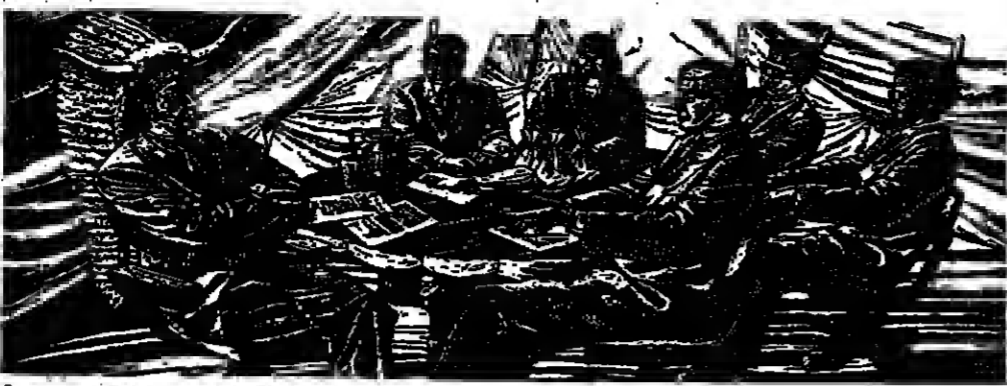
After the Morgan Grenfell purchase, it was no great surprise that Deutsche Bank should make a call on shareholders again, whether or not the Frankfurt rumour mill was right to think it wants to buy a medium-sized French retail bank...

Its strength is its simplicity

CRAWFORD'S DIRECTORY OF CITY CONNECTIONS 1990 THE CITY'S MOST COMPACT INFORMATION SYSTEM. Includes features like 800 major pension funds, 3,000 UK companies, and contact details.

Vanessa Houlder reports on management buy-outs

The spoils of enterprise



MANAGEMENT BUY-OUTS that have turned their backs on independence include:

- Premier Brands, the food group which included Typhoo tea, Cadbury biscuits and Chivers Marmite Jam. Nine directors shared some £150m when it sold itself to Hilldown Holdings in May 1988, three years after a buy-out from Cadbury Schweppes.
- Caradon, a building products company. Its management team saw their investment increase sixty-fold in the four years between buying the business from Reed International and selling to MB Group last October.
- Evans Healthcare, a drugs company. Its management team took 15 per cent of the equity in the £27m buy-out from Glaxo in 1986 and has just sold the business to Medtrac

for \$27m.

- This month, United Precision Industries, the UK's biggest maker of bearings, was sold to Nippon Seiko of Japan. Forty UPI managers shared £22m after taking a 15 per cent stake in December 1987.

- Jervis Hygiene, an industrial cleaning products specialist, bought out of Cadbury Schweppes in 1986 for £9.1m, was sold to Unilever, the Anglo-Dutch multinational, last September for £31.6m.

- Istal, a computer services company, which was sold to its employees by the Rover car group for £33m in 1987. Last September, Istal was sold to AT&T, the US telecommunications giant, for £180m, making several of its managers multi-millionaires.

high borrowings have a salutary effect. "You can get lazy as part of a larger group. You are able to take softer options," he says. "High financial leverage breaks the aura of self-confidence and infallibility that managers have in a big group."

However, he admits that this is a short-term benefit. "You can do so much in the first two years in belt-tightening, but it is not a permanent way of life."

The risks are spelt out by Mr Peter Jensen, who was chief executive of Caradon, a building-products buy-out from Reed International, now sold to MB Group. "If you are the sort of manager out to make a million, you can be too aggressive by selling assets and not investing enough in the business," he says.

A study by Warwick Business School, which tracked the performance of 58 MBOs, found they had a better-than-average performance in the first three years, after which they tended to produce lower profits and a

lower return on capital than the industry average. It suggested that opportunities to cut costs and improve margins had usually been exhausted after three years and managers faced less well when facing the hurdles of new markets or increasing market share.

Once the relatively straightforward years of cost cutting are over, it is not surprising that a sale seems attractive. Many managers opt for a congenial partner which will allow them autonomy. In the case of Premier Brands, this - together with a desire to keep the business intact - led it to turn down higher offers in favour of the Hilldown bid.

Some critics believe that managers choose partners that will offer them an easy ride. There is a growing trend towards overseas purchasers, for example, which usually allow their subsidiaries more operational independence.

Foreign sales accounted for 12 per cent of total sales last year, according to the Centre

for Management Buy-Out Research. This trend is at odds with the tendency to hail buy-outs as the revival of an independent UK industry. For example, Mr Wilding's ambition, at the time of UK Paper's flotation, to take the company "back to the days when it was recognized as the best paper company in the UK" now rings slightly hollow.

None the less, managers are usually required to provide an exit for investors and the more subdued states of the stock market has meant that in recent years it has offered considerably lower prices than those achieved by trade sales.

Flotations also court the risk of a hostile bid. Premier Brands reckons it would have had to sell over 60 per cent of the company to pay off its debts, which would have made it an easy target for a predator.

Similarly Mr Alan Bowkett, of UPI (Britain's largest precision bearings maker, sold this month after a 1987 MBO) says that the company needs sub-

stantial investment over the next five to 10 years, which would make it more vulnerable to a predator.

However, alternatives to trade sales or flotations do exist. One innovative alternative was that of Unipart, the former Rover Group parts subsidiary which was privatised in an employee buy-out in 1987. Having paid off the £30m of debt that financed the buy-out, it was able to borrow again to buy back £20m of shares and so reduce the institutional holdings from 56 per cent to 36 per cent. The bought-back shares were reallocated to managers and employees, raising their stake to 45 per cent.

"It was an elegant solution for all concerned," says Mr John Neill, Unipart's chief executive. The investors were repaid their original investment, the employee share ownership has been further widened and the management still feels in control of its destiny.

Looking ahead, it seems likely that managers will continue to seek a share of the equity. "It reflects a more entrepreneurial style of manager that we have in Britain," says Mr Ken Robble of the Centre for Management Buy-Out Research.

However, the rewards for managers may start to lessen. A slowdown in the economy is likely to weaken the prices paid by acquirers. "The managers' share of equity will be less, and the amount of institutional equity might have to increase," says Mr Robble.

Furthermore, there is likely to be greater emphasis on the risks of buy-outs. Mr Jensen believes that the pressures on managers, who have considerable sums of their own money at stake, are already underestimated. "Having two-thirds of your house on the line is no joke at the time," he says.

So far the failure rate of buy-outs has been low. The risks may become increasingly apparent as a result of the problems of buy-outs exposed to the retail sector, like Lowndes Queensway, MFI and Magnet. The sobering example of Mr Tom Duxbury, who engineered the Magnet buy-out last summer and has this month left the company bearing a less than 10 per cent share of equity will be just the first of many this week.

Response, a textile group, went into receivership, unable to meet the interest payments on the loans that financed its £50m buy-out from Colclough, 18 months ago.

The desire of managers to own a share of their business is here to stay. But the risks may increasingly bear a more obvious relationship to the rewards.

Labour market

The fallacy about productivity and pay

By Richard Layard

Should workers be paid according to the productivity of their enterprise? According to senior ministers and CBI leaders the answer is Yes. But the standard answer has always been No.

So where do ministers go wrong? They start from the important proposition that to stop inflation, average wages in the economy should rise only as fast as average productivity. They then suppose that an easy way to achieve this would be to pay each firm to grow at the same rate as productivity in the same firm.

But this method is disastrous and doomed to failure. It is not only unfair but grossly inefficient. There are huge differences in productivity growth between sectors, which are mainly due to technological factors and not to the efforts of the workers. Thus some sectors have inherently greater productivity growth than others - with manufacturing generally outstripping services. Since this reflects no special merit among the workers in manufacturing, why should workers in services increasingly fall behind?

The service workers will not, of course, agree to do so, and market forces are on their side. So the chief result will be additional inflationary pressure, as service workers' pay tries to keep pace with manufacturing. This is the fundamental problem behind the ambulance workers' dispute.

The mechanism can be simply illustrated. Suppose productivity grows at 5 per cent a year in manufacturing and 1 per cent in "services" - an average of, say, 3 per cent. If all workers get 3 per cent wage increases, all will be well. But that is not the current philosophy. Government ministers have told those in "manufacturing" that they can reasonably expect more. But then the "service" workers also insist on getting more too. The result is disastrous.

An important reason for our present problems is this half-baked philosophy. Yet these issues are not new. In 1967 William Baumol wrote a famous article in which he explained how economic progress proceeds in a properly

functioning economy. Productivity grows faster in manufacturing than in services. But wages grow at the same rate (so that the relative price of manufactures falls).

In this way the fruits of high productivity growth are spread evenly across the economy, not hogged by one group of workers. Thus workers are four times richer than they were half a century ago because of productivity increases in the rest of the economy. How on earth could anybody believe that efficiency or equity required otherwise?

The inefficiency in productivity-based pay is manifest. If firms with high productivity growth pay higher wages, rather than cutting their prices, their sales will be depressed. Employment in the

Germany, Japan and Sweden the "going rate" is a standard concept - and not an object of abuse. In all these countries there is a form of co-ordinated wage bargaining.

In Sweden, the clearest case, the national employers' federation bargains directly with the national trade union federation. In Germany and Japan there is a "pattern settlement", often in the metal industries, which is then broadly followed elsewhere. This settlement is preceded by informal national talks among the employers' associations of different industries and likewise among trade unions.

By these means Sweden, Germany and Japan have been able to contain inflation with much less unemployment than countries with less co-ordinated wage bargaining. The graph makes the point.

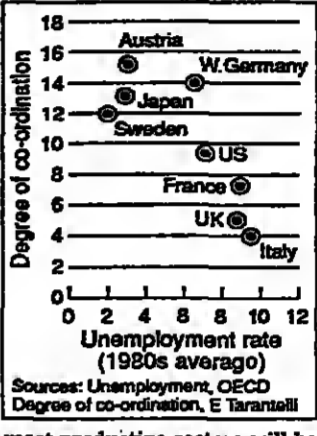
There must of course be some differences in wage settlements across firms. To motivate workers towards better working practices they must be offered a share in the resulting gains. And expanding firms need to raise wages to attract labour.

Such minor adjustments can happen perfectly well against the background of a national going rate. This ought to emerge from some co-ordinated process. For the fundamental pay problem is that one man's wage increase leads to another man's price increase. Without co-ordination all end up having higher wages and paying higher prices. But, when there is co-ordination, this danger can be faced explicitly and we can short-circuit the pointless wage-price spiral.

So the CBI should persuade its members that, since they have a common interest in lower inflation, they should individually operate on the basis of an agreed and sensible going rate. The Government should apply strong pressure on the CBI to secure this.

In any case let's rehabilitate the notion of the going rate. It is far better than telling the lions to take the lions' share.

The author is Professor of Economics at the London School of Economics.



most productive sectors will be held back, and the least productive sectors (paying lower wages) will continue to waste labour. In international competition the country will be increasingly forced to specialise in low-productivity, low-wage industries.

This is the opposite of what would happen in a proper competitive labour market. Under competition, workers of a given type would be paid the same regardless of who employed them. And this would ensure that as a nation we best exploited our international comparative advantage.

There is no country where the productivity-pay fallacy has taken such root as in Britain. In most of the more successful countries such as

LETTERS

Insider trading: lessons from the US experience

From Mr Leo Herzog, Sir, Your editorial comment ("The attack on insider trading," January 26) expresses concern about the movement of share prices in advance of big mergers and takeovers. In a statistical study of 172 successful tender offers in the US from 1981-1985, the authors reached the following conclusions:

"The significant effects of media speculation and of foot-hold acquisitions on unanticipated premiums and pre-bid run-ups are consistent with a legitimate market for information. They further imply that significant pre-bid market activity is consistent with little or no illegal insider trading. Our results thus indicate that

aggregate run-up statistics must be used cautiously as measures of illegal insider activity."

If the study is correct, your excellent newspaper (quite legally) may be responsible for some of the anticipatory price movement that troubles you. Moreover, there may be little that can be done to remedy the situation within the framework of free markets and a free financial press.

With regard to your suggestion that civil damages and penalties against insider trading could be an important supplement to criminal sanctions, it appears unlikely that they would change the behaviour of many people in England. Personally, I would be terrified of

even a £25 fine (let alone the £25,000 you mention or a prison sentence) as I am sure would your leader writer. Most potential insider traders have licences or reputations to lose.

To the extent that civil remedies have been an important factor in reducing insider trading in the US, it is probably mainly because they increase the incentives of private enforcers, which expands the amount of enforcement far beyond what the Securities and Exchange Commission and the Justice Department can undertake. But this depends on legal institutions that do not exist in England: class actions and court-awarded fees to class action lawyers when they are successful.

However, there is one thing the US has done to increase the risk of discovery that does not require a change in legal institutions. The statute that authorises the SEC to sue for treble damage civil penalties also permits the SEC to pay up to 10 per cent of any recovery to informers. But there may be objections to such a blatant encouragement of informers.

Jarrell and Paulsen, *Stock Trading Before the Announcement of Tender Offers: Insider Trading or Market Anticipation?* *Journal of Law, Economics & Organisation* (Autumn 1988).

Leo Herzog, Mayer, Brown & Platt, 190 South La Salle Street, Chicago

Need for alternatives to higher unemployment

From Mr John Philpott, Sir, Your editorial comment ("The fear of recession," January 22) concludes that a rise in unemployment will be an unavoidable consequence of a determined effort to reduce inflation, given the absence of any prospect of reform of UK wage bargaining. It makes depressing reading, especially when set against Ronald Dore's informative account (Letters, January 22) of the advantages of the Japanese wage bargaining process.

However, while your conclusion is undoubtedly based on a fair assessment of current economic and political realities, one should be aware of the dangers of reverting to the

there-is-no-alternative mentality of a decade ago.

As Peter Robinson rightly points out (Letters, January 17) the UK now has a worse unemployment/inflation trade-off than in 1979 despite successive measures to free the labour market. Ironically, this is to a large extent a consequence of the Government's resort in the early 1980s to a crude deflationary policy. The legacy has been insufficient industrial capacity, continuing skill shortages, and almost 750,000 long-term unemployed unable to influence "insiders" engaged in wage bargaining.

A similar policy seems unlikely to have such severe consequences today since

industry is more aware of the need to maintain investment in plant and people during the downturn in activity and the benefits system is less conducive to a sharp rise in long-term unemployment. But it is none the less short-sighted to believe that higher unemployment offers a proper solution to the UK's underlying inflation problem.

Alternatives may not be easy to construct, particularly reform of the wage bargaining process. But they must be sought.

John Philpott, Director, Employment Institute, Southbank House, Black Prince Road, SE1

And towels

From Mr D. Simon Harper, Sir, As a former teacher of English for foreigners, I was amused by Mr Luetken's prompt reaction (Letters, January 24) to Observer's attempt to meddle with English idiom.

I am often confronted by non-anglophones, voices ringing with *chutzpah*, bursting to tell me that I have written something "illogical." I spend valuable time drilling into their sceptical heads the notion that English is not logical. To do this I make use of "illogicalities" in their own languages.

For a Frenchman, for example, I quote "iron wire", which to him is "fil de fer" (thread of iron or iron). If that fails to shake his faith in French logic I give him gold wire (*fil de fer d'or*).

For a Swede I use "hand-towel", which to him is "handhandduk" (a hand cloth for hands), as distinct from a bath towel (*badhandduk*) or a tea-towel (*teehandduk*).

The unusual thing in this case is that we have a Briton launching a campaign against English idiom. Britons, like speakers of all other languages, are usually deaf to the "illogicalities" of their own idioms.

My general purpose retort to the critics is an English "illogicality" very familiar to them all, and one that would have made a good second rebuttal to Observer: anyone who is a friend of John Major's is a friend of mine!

D. Simon Harper, Zumsteinstrasse 6, D-7750 Konstanz, W. Germany

Mill closures and job losses not expected

From Mr A. Tjipto Wigajoprjitno, Sir, The article by Mr John Murray Brown ("Indonesia's soaring timber tax," January 11) contains several inaccuracies. Mr Brown contends that the recent increase in taxes levied on sawn timber exports will result in massive mill closures and unemployment. Analysis of trade statistics compiled by the Indonesian Sawmillers Association refutes this. Since 1984, at least two thirds of the annual sawn timber production has been sold domestically.

In 1988, estimates indicate that only 3,621m cubic metres was exported out of 10,709m cu m produced. A majority of mills supply the

domestic market and will not be directly affected by the increase in export taxes. Most of the approximately 400 mills which were export-oriented have received licences to shift production into woodworking.

168 of these already have an installed woodworking capacity for export. Woodworking products, which include decorative mouldings, doors, solid door and window components, railway sleepers, and pellets, are exempt from the recent export tax increase.

Around 32m cu m of raw material are available to the Indonesian wood products industry annually. Plywood production utilises 15m cubic metres and no new plywood mills will be installed, so con-

sumption requirements should remain fairly constant. The remainder, used by sawn timber and secondary products producers, will be increasingly diverted into woodworking.

These figures illustrate the shift expected within the Indonesian wood products industry as a result of the export tax increases for sawn timber. A large proportion of mills will not close, nor will unemployment be severe. Part-time employees may become redundant, but those under contract will instead work in the growing woodworking sector.

A. Tjipto Wigajoprjitno, Indonesian Sawmillers and Wood Product Manufacturers Association, Jakarta, Indonesia

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INTERNATIONAL COMPANIES AND FINANCE

MCI shares plunge after worse than expected result

By Anatole Kaletsky in New York

MCI Communications, the second biggest US long-distance telephone company, announced worse than expected earnings yesterday, precipitating a sharp fall in its shares price.

Coca-Cola boosted by sell-offs

By Karen Zagor in New York

COCA-COLA, the world's biggest soft drink company, yesterday reported record earnings for the fourth quarter and year, in what the company described as the concluding achievements in a decade of outstanding growth.



Roberto Goizueta: company is well-positioned for decade

For the December quarter, net income surged more than 200 per cent to \$177.2m or \$2.22 a share from \$33.3m or 65 cents previously.

The results were bolstered by the sale of Columbia Pictures in November and the sale of the company's bottled water business last year.

Operating revenues in the three months rose 11 per cent to \$2.25bn from \$2.03bn. Earnings for the full year jumped 65 per cent to \$1.72bn from \$1.05bn.

Volume sales in the US grew 11 per cent while operating income advanced 16 per cent, due partly to increased distribution in France and the introduction of Sprite in Britain.

Charges knock Control Data

By Anatole Kaletsky

CONTROL DATA, the struggling Minneapolis-based computer company, suffered another big loss in the fourth quarter as a result of further restructuring and asset disposal charges.

The rest of the charges were due to the closure or sale of various operating facilities in the US and overseas, as well as to writedowns of intangible assets.

Borden edges ahead in fourth quarter

By Karen Zagor

BORDEN, the diversified US producer of packaged foods, has reported a moderate increase in fourth-quarter earnings, although restructuring costs led to a net loss for the year.

Excluding the one-time charge, income in the last year advanced 10 per cent to \$31.5m. Operating income in the fourth quarter reached a record \$22.3m, up 6 per cent from 1988.

USX climbs 27.6% to \$965m for full year

By Alan Friedman in New York

A STRONG improvement in operating income from its energy businesses and reduced debt servicing expenses helped USX overcome a decline in operating earnings from its steel holdings to turn in 1989 full-year net profits 27.6 per cent higher at \$965m or \$3.53 per share.

Huntsman to join GE in Aristech bid

By Alan Friedman

HUNTSMAN HOLDINGS, a privately held plastics business, will join forces with the plastics subsidiary of General Electric of the US to make a bid of at least \$78m or \$27 per share for Aristech Chemical, a Pittsburgh-based maker of industrial chemicals, polypropylene and other chemical products.

The Huntsman-GE bid proposal would top an \$84.5m or \$28 per share offer from Mitsubishi of Japan and a group of Aristech managers.

Machinists' strike checks Boeing

By Roderick Oram and Paul Betts in Seattle

BOEING has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners. It also suffered a big loss on its defence operations.

Net profits dropped to \$77m or 34 cents a share from \$174m or 76 cents a share from 1988. Higher than expected lump-sum wage payments under the terms of the strike-setting new contract and the disruption costs of the stoppage contributed to a substantial reduction in fourth-quarter operating earnings and interest income.

BNE in humbling race for survival

Alan Friedman on a once-proud bank's breakneck rush to sell assets

A year ago the Bank of New England (BNE) and Mr Walter Conolly, its beleaguering chairman, were both still riding high.

IMASCO, the Canadian financial services, tobacco and retailing group, is expanding its US fast-food business by buying the Roy Rogers restaurant chain for US\$366m from Marriott Corp.

Net profits for the year ended December rose to \$373m or \$4.23, including a gain of \$299m from the adoption of a new accounting standard. A year earlier it earned \$614m or \$2.68.

The Boston-based commercial bank, with \$18m of assets and a striking reputation as one of America's "super-regional" institutions, seemed capable of weathering what appeared to be a passing indisposition in the north-eastern real estate market.

MacMillan Bloedel retreats

By Robert Gibbens

MACMILLAN BLOEDEL, Canada's leading forest product group, was hit by the high Canadian dollar and heavy newprint price discounting in the fourth quarter of 1989.

MACMILLAN Bloedel, Canada's leading forest product group, was hit by the high Canadian dollar and heavy newprint price discounting in the fourth quarter of 1989.

Boeing's military business turned in an operating loss of \$475m last year, more than double the loss analysts expected and up from about \$100m a year earlier.

The strike over a new contract by Boeing's manufacturing hourly workers, members of the International Association of Machinists and Aerospace Workers, cost it \$20m in sales, the company said.

Setback at Canada Packers

By Bernard Simon

CANADA PACKERS, one of Canada's leading food processors, blamed "difficult conditions in the meat markets" and its British operations for a sharp drop in earnings in its third fiscal quarter, which ended on December 23.

MacMillan Bloedel's earnings per share rose only 25 per cent from \$4.01 to \$4.11. It was the sixth consecutive year of record earnings.

Imasco expands fast-food side

By Robert Gibbens in Montreal

IMASCO, the Canadian financial services, tobacco and retailing group, is expanding its US fast-food business by buying the Roy Rogers restaurant chain for US\$366m from Marriott Corp.

Scott Paper's net income disappoints

By Robert Gibbens

SCOTT PAPER, the Philadelphia-based paper group, which is the world's largest manufacturer of sanitary tissue, was "disappointing," according to Mr Philip Lippincott, chairman and chief executive officer, writes Maggie Urry.

Unocal tumbles into loss in final period

By Karen Zagor

UNOCAL, the big US integrated oil company, has reported a loss in the fourth quarter and a sharp drop in net profits for the year.

Mellon seeks buyer for unit

Mellon Bank of Pittsburgh is looking for a buyer for Mellon Financial Services unit, its consumer finance operation, Reuter reports.

Net income was halved to \$312.7m or 35 cents from \$625.5m or 67 cents.

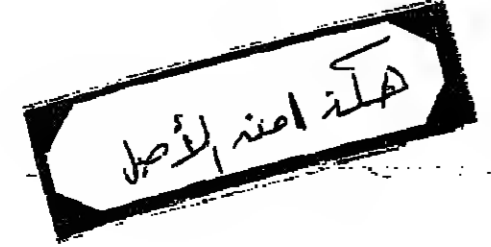
Charges knock Control Data

By Anatole Kaletsky

CONTROL DATA, the struggling Minneapolis-based computer company, suffered another big loss in the fourth quarter as a result of further restructuring and asset disposal charges.

Advertisement for THE ARES-SERONO GROUP. Includes a logo with the letters 'AS' and a large figure of \$125,000,000. Lists investors like THE TRAVELERS INSURANCE COMPANY and THE PRUDENTIAL INSURANCE COMPANY. Also mentions placement agent ROTAN MOSLE INC.

Advertisement for Serono. Includes a logo with the word 'Serono' and a large figure of \$125,000,000. Text describes the company's financial situation and offers information for investors.





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INTERNATIONAL COMPANIES AND FINANCE

French national power company FFr4bn in red

By George Graham in Paris

ELECTRICITE de France (EDF) the French national power company, lost FFr4bn (\$700m) last year, its second successive year of losses and the sixth time in a decade that it has been in the red.

Mr Pierre Delaporte, chairman, described the year as "catastrophic" and complained the French Government was refusing to allow his company to charge adequate tariffs and was preventing it from budgeting properly.

La Cinq TV deal set to lift role of Berlusconi

By George Graham

THE TWO main shareholders in La Cinq, France's fifth television channel, have reached a deal which is expected to lead to an increased role in the management of the station for Mr Silvio Berlusconi, the Italian television magnate.

Unusually emotional bankers return home

Haig Simonian on celebrations as Dresdner Bank moves back to East Germany

Today, two Lufthansa charter jets carrying the cream of West Germany's financial journalists will touch down at Dresden airport in East Germany.



Zwinger Palace, Dresden: Dresdner Bank made an emotional return to the city

So far, Dresdner Bank appears to have got a neck ahead of its rivals in the race to set up shop in the east. Sending three executives to its new Dresden office is justified by the need to facilitate the "new economic orientation" of the DDR through a transfer of capital, technology and management skills from the west, it says.

Bouygues rises 10% to FFr570m net

By Our Financial Staff

BOUYGUES, the dominant French construction group, lifted attributable net profits 9.8 per cent last year to a provisional FFr570m (\$100m).

For 1989 Grandis Molins, a flour milling unit acquired towards the end of last year, is expected to assist a nearly two-thirds jump in sales outside its mainstream activities.

Petrochemical slowdown holds Petrofina to 8%

By Tim Dickson in Brussels

PETROFINA, the Belgian oil and petrochemical concern announced last night its share of group consolidated profits rose 8 per cent last year to an "estimated" BFr22.8bn (\$62m).

While announcements have flowed thick and fast in recent weeks about the new offices being established in the east, none of the banks has as yet been particularly effusive on what they intend to do there.

Heineken blames planned job cuts on flat sales

By Laura Hautin in Amsterdam

HEINEKEN, the Dutch brewery, plans to scrap 700 of its 4,000 jobs in the Netherlands by 1993 because of flat sales, changing tastes and competition.

In the Netherlands, which accounts for about one-quarter of total sales, Heineken's overwhelming market share of 58 per cent in 1989 has plunged to about 52 per cent. In the US, which imports its beer from the Netherlands, Heineken's market share has slowly shrunk in the face of heavy competition from other foreign beers and a weak dollar.

Lease Plan expects big expansion

By Andrew Baxter

LEASE Plan Holding, the Dutch company which claims leadership of the highly-competitive European contract car hire, fleet management and leasing market, plans a big expansion in the next five years to take advantage of the opportunities offered by the 1992 single market reforms.

NMB POSTBANK EXPANDS CAR HIRE NMB Postbank of the Netherlands has bought Leasing Principals, the vehicle leasing subsidiary of Rockwood Holdings, the UK transport group, as part of foreign expansion plans, writes Laura Hautin in Amsterdam.

Correction Lego

LEGO, the Danish toy group, points out that the sales figure of Dkr3.24bn (excluding Lego's separate Swiss and US companies) mentioned in Monday's report was for 1988. No sales figure was given for 1989.

Advertisement for Saint-Gobain. Includes the text 'SAINT-GOBAIN ANOTHER YEAR OF GROWTH' and a table of financial data comparing 1989 estimated, 1988, and 1987 restated figures in millions of French Francs. The table shows sales increasing from 58,875 in 1987 to 66,000 in 1989, and operating income rising from 8,026 to 8,800.

NEW ISSUE 30th January, 1990 This announcement appears as a matter of record only.



CHUBU ELECTRIC POWER COMPANY, INCORPORATED

U.S.\$270,000,000 9 per cent. Bonds 1997

ISSUE PRICE 101 1/2 PER CENT.

Nomura International

- List of international banks including IBJ International Limited, Mitsui Finance International Limited, BNP Capital Markets Limited, etc.

Moody's downgrades top Australian banks' debt

By Chris Sherwell in Sydney

MOODY'S Investors Service yesterday downgraded its assessments of Westpac Banking and the National Australia Bank (NAB), two of Australia's big four commercial banks. The action follows a review of the banks' long-term debt ratings and lifts their foreign borrowing costs. Moody's began the review in November amid concern about worsening domestic asset quality caused by high interest rates and a possible economic downturn. The agency had previously lowered its rating by one notch from Aa1 to Aa2 - on US\$3.2bn of debt issued by the Federal Government and its agencies. This was mainly because of the country's heavy burden of external debt and the slow pace of government adjustment policies. That change, made in August, also affected Westpac and the NAB, making yesterday's downgrade the second in five months, affecting US\$2.2bn of Westpac debt and US\$1.2bn of NAB debt. For Westpac, Moody's rating for long-term deposits was lowered to Aa3 from Aa2, for subordinated debt to A1 from Aa3, and for non-cumulative preferred stock to "a2" from "a1". For NAB, the agency's ratings were similarly lowered: for long-term deposits to Aa3 from Aa2, for senior debt to Aa3 from Aa2, and for subordinated debt to A1 from Aa3. Australia's other two principal commercial banks were not directly affected by the decision. The Commonwealth Bank, being federal government-owned, enjoys federal government ratings, while the ANZ Banking group is not rated by Moody's. Moody's said that Westpac had sharply increased its domestic lending business in the last few years and it believed that asset quality problems would arise from the bank's portfolio in this area. It pointed in particular to involvement in commercial real estate, currently facing a slowdown. The agency cited similar problems for the NAB, but pointed to two other developments. One was the bank's acquisition of Yorkshire Bank in the UK. The purchase price of \$976.5m constituted a significant amount of goodwill, thereby reducing the bank's adjusted net worth, Moody's said. The NAB's exposure to the operating companies of the troubled Bond group, although the bank's "sound documentation" meant this should not result in a material loss, Moody's said. It did not rule out the possibility that some of NAB's Bond exposure could be classified as non-performing in the future. It added that NAB's recovery rate would be high. Both banks regard the downgrading as an inevitable consequence of the Australian economy's condition rather than their own, and point out that the new ratings remain high among the 19-odd gradings given by Moody's.

Mexico to restart debt/equity auctions

By Stephen Fidler, Euromarkets Correspondent

THE Mexican Government will restart its auctions for debt-equity swaps over the next two to three months, Mr Pedro Aspe, the country's Finance Minister, said yesterday. The auctions are provided for in the country's new debt accord with international commercial banks, under which it agreed to exchange foreign bank loans of \$3.5bn into rights to invest in equity in Mexican companies over a three-and-a-half year period. Under the agreement, such swaps have been limited to privatisation issues and specified infrastructure financings. Mexico suspended a previous round of debt-equity auctions in the middle of 1988, although it has since allowed some swaps - equivalent to about \$2.5bn in face value of bank debt - held up since then to take place. The final signing of the bank accord begins on Sunday in Mexico City. Mr Aspe said in London that he wanted the auction to take place "as soon as possible," in the next two to three months. Investors present intended to be flexible about the amounts to be offered. Mr Aspe said it was envisaged that an auction for the swap rights would take place first, followed by auctions for companies that the Government planned to sell, such as Canada, the state copper concern. The assets will be denominated in US dollars, he said. The Government held out strongly against a broad agreement on debt equity swaps, believing that they encourage either monetary expansion - because local currency is created - or higher interest rates if government paper is issued to offset the monetary expansion. Mr Aspe said the Government also thought that, among other things, such swaps were detrimental to investment, encouraging would-be foreign investors to wait until the next debt-equity swap auction to buy local currency for investment at subsidised rates.

Ecu bond market 'not illiquid'

By Martin Dickson

THE ECU bond market's reputation for illiquidity may be exaggerated, according to a survey of leading institutional investors by Swiss Bank Corporation. The survey found that about 70 per cent of the investors asked were involved in the market. Some 63 per cent of active investors said they generally held all or some of their positions at least beyond 12 months. The survey said this supported the idea that Ecu bonds were held longer than in other currencies, perhaps adding to the perception of illiquidity. However, some 68 per cent of the active group said they switched or planned to switch between different Ecu bonds in the secondary market or between new issues and secondary bonds. Swiss Bank said this suggested that "liquidity might not be as big a problem as perceived." And about 50 per cent of those investors said they switched, or planned to do so, between Ecu bonds and some of the components, such as German bunds or French OATs, on a regular basis. A slight majority felt there was no useful benchmark in the market, although around 38 per cent felt the French Ecu OAT was becoming one. Only 50 per cent of active investors thought that Britain's Treasury bill programme denominated in Ecu had been helpful in promoting the bond market. Among those not active, about 55 per cent mentioned the perceived lack of liquidity and nearly 75 per cent said they would consider investing if liquidity could be improved. Nearly 90 per cent of active investors welcomed the news that the Matif exchange in Paris was planning to introduce an Ecu futures contract this year based on the French Government's Ecu-OAT 1997 issue.

Chilean pension funds to be able to invest abroad

By Barbara Durr in Santiago

UNDER new legislation, Chile's private pension funds are to be allowed to invest up to 10 per cent of their funds abroad. The pension funds currently hold nearly \$4bn and make up the single largest private asset group within Chile's capital markets. The Superintendency of Pension Funds, the Chilean regulatory body, said the funds would be allowed to invest in bonds, equities and other financial instruments that carry guarantees from foreign governments, central banks or commercial banks. These would include investment funds, be they for risk capital, short-term commercial paper or real estate. The investments are to begin gradually, starting with 1 per cent each year for the first five years. Thereafter, the remaining five per cent can be invested immediately. The amounts going abroad are to be monitored by the central bank. The foreign investments, like all those made by Chilean pension funds, will be subject to a risk assessment classification. The official Chilean risk classification board will set the standards, using international risk assessment. The legislation has been approved by the military junta and is awaiting review by the constitutional tribunal. The Superintendency does not anticipate problems in the final review. Outstanding sterling paper up 5% in 1989 By Martin Dickson SOME \$3.5bn of sterling commercial paper was outstanding at the end of 1989, up 5 per cent on the \$3.3bn at the end of the previous year, the Bank of England announced yesterday. During December last year, redemptions of \$3.5bn of outstanding issues, which totalled \$3.1bn, and the total outstanding fell by \$74m. Banks in the UK reported holdings of \$242m on their own accounts at the end of December, a fall of \$27m on the month. The outstanding issues at the year-end comprised 147 issues by UK companies, total value \$2.16bn, plus by overseas companies (guaranteed by UK parents), with a total value of \$238m, and 18 by overseas companies, value \$103m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns: US DOLLAR STRAIGHTS, YEN STRAIGHTS, CLOSING PRICES ON JANUARY 30. Lists various international bonds with their yields and prices.

FLLOATING RATE NOTES

Table with columns: CURRENCY, RATE, YIELD, PRICE. Lists floating rate notes for various currencies.

CONVERTIBLE BONDS

Table with columns: CURRENCY, RATE, YIELD, PRICE. Lists convertible bonds for various currencies.

7 Day one market maker supplied a price Straight Bonds: The yield is the yield to redemption of the mid-price...

NMB BANK Nederlandsche Middenstandsbank nv U.S. \$100,000,000 Floating Rate Notes Due 1992

FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION Collateralized Floating Rate Notes Due 1992

Woodside Financial Services Ltd. (Incorporated in the State of Victoria) Guaranteed Floating Rate Notes due July 1997

CHASE MANHATTAN OVERSEAS BANKING CORPORATION FLOATING RATE NOTES DUE 1993

CITICORP BANKING CORPORATION (Incorporated in the State of Delaware) Unconditionally guaranteed on a subordinated basis by CITICORP

CITICORP BANKING CORPORATION (Incorporated in the State of Delaware) Unconditionally guaranteed on a subordinated basis by CITICORP

CITICORP U.S. \$350,000,000 Subordinated Floating Rate Notes Due November 27, 2035

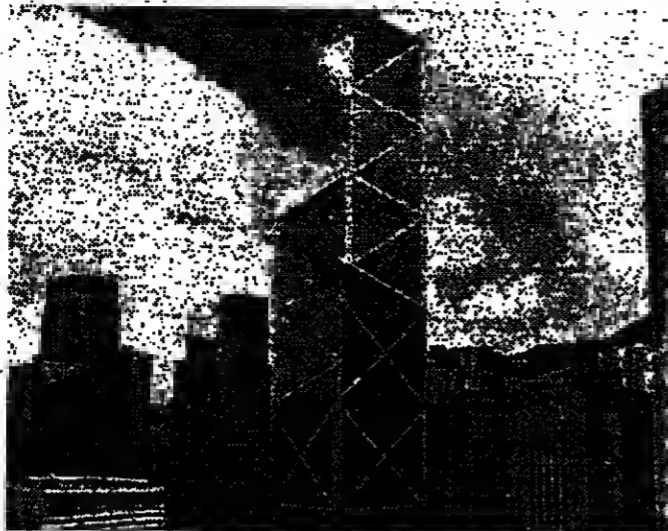
CITICORP U.S. \$500,000,000 Subordinated Floating Rate Notes Due January 30, 1998

INTERNATIONAL COMPANIES AND FINANCE

Philosophy of gain through pain

Robert Thomson follows the ups and downs of Kumagai Gumi

Kumagai Gumi does not lack ambition. The Japanese construction company recently finished a road and rail tunnel under Hong Kong Harbour...



The Bank of China HQ in Hong Kong, built by Kumagai Gumi

These began in 1961 when the company was the first Japanese contractor to win an international tender for a water channel in Hong Kong...

When we started in overseas contracts some other Japanese companies were involved in foreign work...

The contradiction is that the margins are greater in the costlier domestic construction market...

Having completed the Hong Kong project last September, four months ahead of schedule, Kumagai Gumi and Kumagai Gumi Hong Kong...

We provided finance for the deal, but our partner was involved in the Marcos scandal

strong demand in London because of its role as a financial centre. It's a very strong and stable market," Mr Inazu said.

He explained that the company has brought its techniques for consensus-building to London in handling on-site complications.

While Kumagai has been prepared to commit resources to China, Mr Inazu does not think Eastern Europe will be a useful market in the short-term.

Japanese construction companies, generally, have been consistently criticised by the US for their cosy relationships that are said to restrict opportunities for foreign contractors in Japan.

The company expects that overseas contracts will comprise about 25 per cent of sales or about 20% of this year.

and could not provide finance. We decided that the best thing to do was announce bankruptcy. We hope that the project will be completed, then we can sell it and give back money to the creditors," Mr Inazu said.

The problems with the joint venture, in which the company has reportedly invested \$180m, highlight a danger of the Kumagai strategy of taking a very active financial role in projects.

The benefits of such a commitment are more obvious in the Hong Kong harbour tunnel, as the company has a majority management stake under a 30-year BOT (Build, operate and transfer) package, similar to that for the construction of a road tunnel under Sydney Harbour.

As for the 51-storey building in Peking, the company is "trying to lease space" but admits that prospects have been damaged by the crushing of the pro-democracy movement last June.

The Japanese company was keen to have a Peking presence on a deal that extends well beyond the 1997 Hong Kong handover.

Kumagai said, in particular, the Hong Kong offshoot, have invested heavily in the success of China's reform programme and Hong Kong's future.

They built the new, 70-storey Bank of China headquarters in Hong Kong, Asia's tallest building, and are involved in a project to develop a condominium, hotel complex in Hainan Island, the Chinese province to the south of Hong Kong.

We are cautiously watching developments in China before we make a final decision on the Hainan project," Mr Inazu said.

As for the 51-storey building in Peking, the company is "trying to lease space" but admits that prospects have been damaged by the crushing of the pro-democracy movement last June.

Bank of Montreal (A Canadian Chartered Bank) U.S. \$250,000,000 Floating Rate Debentures, Series 9, due 1996

Sanyo Electric exceeds forecast with Y16.8bn By Our Financial Staff SANYO ELECTRIC, the Japanese electronics group, made worldwide net profits of Y16.8bn (US\$1.8bn) for the year ended November...

TO THE HOLDERS OF JUSCO CO., LTD. U.S. \$40,000,000 6 per cent. Convertible Bonds Due 1992 NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

U.S. \$50,000,000 Bergen Bank A/S Floating Rate Notes due 1991 In accordance with the provisions of the Note, notice is hereby given that for the interest period from January 31, 1990 to July 31, 1990, the Notes will carry an interest rate of 11.2575%.

U.S. \$70,000,000 Autopista Vasco-Aragonesa, Concesionaria Española, S.A. Guaranteed Floating Rate Notes due 1995

U.S. \$150,000,000 Wells Fargo & Company Floating Rate Subordinated Notes due 1992

U.S. \$60,000,000 Italian International Bank Pic Floating Rate Notes due 1991

NATIONAL BANK HUNGARY U.S. \$100,000,000 Floating Rate Notes due 2000

Isvemer U.S. \$100,000,000 Floating Rate Participation Certificates Due 1992 issued by Morgan Guaranty GmbH for the purpose of making a loan to Istituto per lo Sviluppo Economico dell'Italia Meridionale

U.S. \$100,000,000 Allied Irish Banks Pic Subordinated Primary Capital Perpetual Floating Rate Notes

National Australia Bank Limited U.S. \$100,000,000 Floating Rate Notes due 1997

U.S. \$100,000,000 CHEMICAL NEW YORK CORP. FLOTTING RATE SENIOR NOTES DUE 1999

Republic New York Corporation U.S. \$150,000,000 Puttable Capital Notes

CITICORP U.S. \$500,000,000 Subordinated Floating Rate Notes Due October 25, 2005

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS IN MITSUBISHI CO., LTD

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS IN MITSUBISHI CO., LTD

NOTICE OF REDEMPTION To the Holders of the Extendible Notes Due 2000 of General Electric Credit Corporation (now known as General Electric Capital Corporation)

Wells Fargo & Company U.S. \$200,000,000 Floating Rate Subordinated Notes due 2000

NATIONAL BANK HUNGARY U.S. \$100,000,000 Floating Rate Notes due 2000 Pursuant to Note conditions, notice is hereby given that for the interest period 31st January, 1990 to 31st July, 1990 (181 days), the following interest rates will apply:

Korea Exchange Bank (Incorporated in the Republic of Korea under the Korean Exchange Bank Act of 1960, as amended) Floating Rate Notes due 1995

NIPPON STEEL INTERNATIONAL FINANCE P.L.C. U.S. \$50,000,000 Dual Basis Notes due 1995

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS IN MARUBENI CORPORATION

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS IN MARUBENI CORPORATION

The bond market from Genesis to Revelations 1990 International Bond Manual It's not exactly the lightest reading since the Dead Sea Scrolls. But for bond dealers, salesmen, analysts and investment managers it's a considerably better read.

Malayan Banking rises 96% By Lim Siong Hoon in Kuala Lumpur MALAYAN Banking, Malaysia's largest bank, has reported a half-year net profit of 155.4m ringgit (\$7.85m), a 96 per cent increase over the six months to December 1988.

More loan recoveries contributed to the higher outcome, despite the higher cost of funds from an upward adjustment in the central bank's reserve requirement. The central bank had raised the ratio of reserve deposits to total liabilities by one percentage point in May last year, then again in October. A third increase in January puts the ratio at 6.5 per cent.

The new issues will double the group's share capital to 633m ringgit. Its market capitalisation will rise, at prices now, to 3.2bn ringgit, thereby displacing Sime Darby, the largest quoted Malaysian company.

Please send me further details of the International Bond Manual. Name: _____ Company: _____ Address: _____

UK COMPANY NEWS

Increased holding in Van Lanschot part of European strategy NatWest doubles Dutch bank stake

By Laura Raun in Amsterdam

NATIONAL WESTMINSTER, the UK's second largest bank, plans to double its stake in F van Lanschot Bankiers, the Dutch merchant bank, to 80 per cent in line with its European expansion plans.

quality, specialised service based on intimate knowledge of the Dutch market. Based in Den Bosch, Van Lanschot has 20 branches in the Netherlands plus five subsidiaries and representative offices in London, Zurich, Curacao, Jersey and Luxembourg.

Today it is run by Mr Jan Cees van Lanschot, the eighth generation of the Dutch dynasty, who plans to retire next year. NatWest took a 40 per cent stake in Van Lanschot in 1984; Rabobank bought a 26 per cent stake, later enlarging it to 40 per cent. Rabobank is selling out to concentrate on a "substantial reinforcement of its position as an internationally operating wholesale bank."

Mr Ian Farnsworth, NatWest's General Manager for European Businesses, says: "Employee share options offered last year could increase the outstanding share capital by as much as 5 per cent by 1995, trimming NatWest's holding to around 76 per cent. The 20 per cent held by the family and Delta Lloyd would dwindle to about 19 per cent."

Lower advertising spend limits Goodhead

By David Owen

THE PRONOUNCED downturn in UK advertising expenditure has led to significantly slower progress at Goodhead Group in spite of better-than-expected contributions from recent acquisitions.

The company's UK publishing unit contributed only one fifth of overall profits, against close to one third in the year to May 31. This was in spite of encouraging figures from Essex Products, the readers' services company.

The performance of its recently-acquired North American publishing interests, by contrast, was ahead of forecast. Goodhead attributed this chiefly to the successful application in this new region of sales and product improvement techniques employed in the more competitive UK free newspaper market.

COMMENT The conventional view is that Goodhead is unlucky to be lumped with larger plants of the print and publishing sector and that its share performance has been depressed accordingly.

Table with 5 columns: Dividend, Current payment, Date of payment, Corres. pending dividend, Total for year, Total last year. Lists companies like AIM, Davies (DV), Dudley Jenkins, Gardiner, Goodhead, Lowe (Robert H), Microgen, Partridge, Ransom (William), Rush & Tompkins, Scot National, Shelton (Mac), Throgmorton Tet.

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue, †on capital increased by rights and/or acquisition issues, ‡US\$ stock, §Unquoted stock, ¶Third market.

The group has made major investments at its Portbury and Alcester printing factories. Alcester, in addition, is well-placed to benefit from the completion of the M40 extension.

Results from Goodhead's design unit were disappointing as clients cut back on spending, but the paper division, which buys and sells newspaper, performed strongly.

Panic selling hits SeaCon shares

By Andrew Hill

PANIC selling by New York arbitrageurs continued to hit Sea Containers' share price yesterday, as the ferry and containers group announced a further delay in agreeing a deal with Tiphook and Stena.

Since Monday the shares have fallen by nearly 8 per cent, as fears about the collapse of the junk bond market have spilled over to affect other deal stocks.

Two weeks ago Mr James Sherwood, the group's president and a vehement opponent of the Anglo-Swedish bid, said he would recommend his board to accept an improved deal involving the sale of ferry and container assets to the two companies.

However, negotiations between the two sides have taken longer than expected and yesterday the deadline for agreement was again extended to this time on 12 noon today, New York time.

Holographics loss rises to £1.4m midway Losses at USM-quoted Applied Holographics continued to increase in the six months to the end-September, rising to £1.4m from £977,451 a year earlier.

Bae and Thomson-CSF merging guided weapons businesses

By David White, Defence Correspondent

BRITISH AEROSPACE and Thomson-CSF, the French state-controlled military electronics group, are merging their guided weapons businesses in a move unprecedented in the European defence industry.

strengthening their position as prime contractors by covering all the key areas of technology at a time when it is expected that there will be a fall in the number of new projects. Areas of lower technology could be farmed out to other suppliers.

Ferranti plans further disposals

By Hugo Dixon

FERRANTI International is hoping to sell two of its small components businesses to their managements as part of its continuing programme of reorientating its activities following the discovery last year of an alleged £215m fraud at the group.

The company also announced that about 130 of the 595 jobs at the Dundee businesses would have to go because of their recent disappointing financial performance.

industrial and medical lasers, the other components such as microwave tubes and connectors. Ferranti said it hoped to complete the disposals by the end of March. However it refused to put a figure on how much it expected to raise.

Security purchase helps Gardiner advance 53%

By Andrew Hill

GARDINER GROUP, the security products distributor, lifted pre-tax profits by 53 per cent to £2.51m in the year to October 31 compared with £1.65m in 1987-88.

that they now match shareholders' funds. Mr Turgut said the group would be unlikely to make cash acquisitions in the short term, and would try to reduce gearing to about 50 per cent by the year-end. However, he added that the year's interest charge of a little less than £200,000 was well-covered by profits.

HOMES FOR SALE IN LONDON appear every Saturday in the Weekend FT. For advertising information please call Lesley Proctor on 01-873 4896 or Carol Haney on 01-873 4935.

Holographics loss rises to £1.4m midway

Losses at USM-quoted Applied Holographics continued to increase in the six months to the end-September, rising to £1.4m from £977,451 a year earlier. Shares reacted to the results dropping 45p during the day, closing 18p lower at 285p.

Turnover increased substantially from £476,165 to £2.87m. The chairman said that growth in demand had been excellent and he was sure that a substantial market opportunity existed for the group.

Turnover rose from £17.8m to £26.88m and earnings per share were up 41 per cent to 4p (2.84p). Gardiner is recommending a final dividend of 0.6p, making a total of 0.9p (0.75p) for the year.

1992 & BEYOND The Financial Times proposes to publish this survey on: 25 JUNE 1990 For a full editorial synopsis and advertisement details, please contact: HENRY KRZYWILSKI or GILLIAN KING on 01-873 3897/4822 or write to: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES

BOARD MEETINGS

Table with 2 columns: Company Name, Meeting Date. Lists companies like Allied Trade, Central Motor Auctions, Colvinton, Dore Printing Solutions, etc.

COMMENT Mr Turgut's explanation of the resilience of the security industry during hard times is simple: "recession leads to an increase in petty crime which means more people buy burglar alarms. The reasoning doesn't sound that convincing, but then Mr Turgut has not noticed any slackening of demand for Gardiner's products."

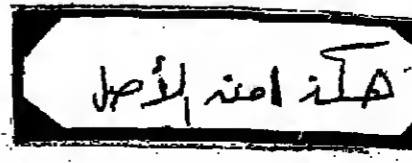
INTERNATIONAL DIRECT MARKETING The Financial Times proposes to publish this survey on: APRIL 16TH 1990 For a full editorial synopsis and advertisement details, please contact: Neville Woodcock on 01-873 3365 or write to him at: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES

Speyhawk Public Limited Company January 1990 £120,000,000 Revolving Credit Facility Arranger: BARCLAYS SYNDICATIONS. Underwriters: Barclays Bank PLC, Hill Samuel Bank Limited, National Westminster Bank PLC. Lead Managers: Barclays Bank PLC, Hill Samuel Bank Limited, National Westminster Bank PLC, The Industrial Bank of Japan, Limited, Provisnsbanken A/S, London Branch. Senior Managers: The Long-Term Credit Bank of Japan, Limited, Bayerische Landesbank Girozentrale, London Branch, Continental Bank N.A., The Hokkaido Takushoku Bank, Limited, The Mitsubishi Trust and Banking Corporation, The Tokai Bank, Limited. Managers: Banco Hispano Americano Ltd., Banque Nationale de Paris p.l.c., Istituto Bancario San Paolo di Torino, London Branch. Agent Bank: Barclays Bank PLC.

THE SOVIET UNION The Financial Times proposes to publish a Survey on the above on 12th March 1990 For a full editorial synopsis and advertisement details, please contact: Patricia Surrige on 01-873 3426 or write to her at: Number One, Southwark Bridge, London SE1 9HL.

To Advertise PROPERTY TO RENT Furnished lettings Company and Embassy Lets Long and Short Term All appear in the FT every Monday and Saturday Further details from Richard Wallington, TELEPHONE 01-873 3307 FAX 01-873 3064

THE GARDINER GROUP PLC Preliminary Results Year ended 31 Oct. 1989 Year ended 31 Oct. 1988 Turnover 26.885 17.802 +51.0% Profit before tax 2.905 1.693 +53.5% Earnings per share 4.00p 2.84p* +40.8% Dividends 0.90p 0.75p +20.0% Thomas Bullitt, Chairman



INTERNATIONAL CAPITAL MARKETS

Mitsui Toatsu warrant deal hogs the limelight

By Deborah Hargreaves

THE long-awaited launch of Salomon Brothers' eight-year warrant deal for Mitsui Toatsu Chemical dominated attention in the Eurobond market yesterday.

excess of 50 per cent of the bonds with institutional clients in London and continental Europe as well as Japan.

agents wondered whether the price differential was attributable entirely to the difference in time value of the warrants or whether it was due to a move by Salomon to support the deal.

Chicago protests over planned futures tax

By Peter Riddell in Washington and Deborah Hargreaves in London

PROPOSALS in the US Budget to impose fees on various securities deals have run into immediate criticism on fears that business might be driven abroad.

The Chicago Board of Trade, the world's largest futures exchange, has called the proposed transaction fee "the straw that will break the camel's back in terms of competition with foreign markets."



Tom Donovan, CBOT's share of futures trade already cut

Levies on securities' registrations and on merger and proxy filings with the Securities and Exchange Commission would be increased from 1/50th to 1/40th of 1 per cent of the value of the securities and transactions respectively.

The futures markets have objected to the proposal for a new fee on transactions, warning that business might be encouraged to go elsewhere.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Book name. Lists various international bond issues from Salomon Brothers and other issuers.

Loan for UK independent power station

SWISS Bank Corporation said yesterday that it had underwritten a project loan of about £115m for the first independent power station to be established in the UK.

cote Power Station near Barrow-in-Furness, Cumbria - which will convert on completion of construction into a 14-year term loan.

the Lakeland Power (Development) Company in December, plans to begin syndication to other banks in the second half of February.

US Treasuries post gains amid Gorbachev rumours

By Karen Zagor in New York and Martin Dickson in London

US TREASURY bonds posted gains yesterday afternoon for the first time since January 15, when signs that the Federal Reserve would not support easing of monetary policy sent the

considering resigning. The report, on Cable News Network, said Mr Gorbachev would remain as president.

The market had initially moved higher, helped by short-covering and the Federal Government's 7% January 2000 bond was fixed at 97.31 after 97.15, to yield 7.64 per cent.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Rate, Price, Change, Yield, Week ago, Month ago. Lists benchmark government bonds for UK, US, Japan, Germany, France, Canada, Netherlands, Australia.

GOVERNMENT BONDS

debt market into a tailspin. In late trading, the Treasury's benchmark 30-year bond was up 1/8 point at 95 1/2, yielding 8.53 per cent.

In the absence of important economic data yesterday, the debt market focused on comments by Mr Alan Greenspan, chairman of the Federal Reserve, to the Joint Economic Committee.

UK GOVERNMENT bonds were seen to have moved down before dropping sharply at the longer end in the afternoon in reaction to Mr Greenspan's remarks on the US economy.

Technical Data/Analys Price Source

London closing, * denotes New York closing. Values: Local market standard. Prices: UK, US in 32nds, others in decimal.

FT-Actuaries Share Indices

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries.

Table with columns: Equity Groups, Tuesday January 30 1990, Mon Jan 29, Fri Jan 26, Thu Jan 25, Year ago. Lists various equity groups and their performance.

FIXED INTEREST

Table with columns: Price Indexes, Average Gross Redemption Yields, 1 Low Government, 2 5-15 years, 3 15-25 years, 4 Medium Government, 5 High Government, 6 All stocks.

LONDON MARKET STATISTICS

Table with columns: RISES AND FALLS YESTERDAY, British Funds, Industrial, Financial and Properties, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Price, Yield, etc. Lists recent issues in equities and fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Price, Yield, etc. Lists rights offers for various companies.

TRADITIONAL OPTIONS

Table with columns: Issue, Price, Yield, etc. Lists traditional options for various companies.

LONDON TRADED OPTIONS

Table with columns: Calls, Puts, etc. Lists London traded options for various companies and indices.

UK COMPANY NEWS

West German disposal will reduce retailer's gearing to about 40% Next sells Biba chain for £47m

By Maggie Urry

NEXT, the high street fashion retailer and mail order group, has sold Biba, its chain of 60 women's fashion shops in West Germany, for DM134m (£47.6m), including repayment of debt of £2.9m.



David Jones: Biba sale marks end of non-core disposals

day of the group's financial year. The cash was paid into Next's bank account yesterday. Biba's net asset value was £3.1m, and there will be an extraordinary profit of £44.5m in Next's 1989-90 accounts.

marked the end of the group's disposals of non-core activities and that he could start the new financial year "with my mind totally devoted to sorting out our on-going businesses."

DY Davies advances 26% to £633,000

By Peter Franklin

HAVING PUT the problems associated with delays on two major projects firmly behind it, DY Davies, the USM-quoted architectural practice, improved on last year's advance when it reported pre-tax profits up 26 per cent to £633,000 for the six months to October 31 1989.

AIM falls to £1.3m and shares drop 55p on full year warning

By Clare Pearson

SHARES IN AIM Group, the aircraft interiors manufacturer and property developer, fell sharply yesterday after the company said profits for the current year would be materially below last year's result.

issue pitched at 85p. In the half-year, profits from the property division fell from £917,000 to just £28,000. AIM said sales of residential properties were at a standstill while trading conditions in the commercial sector were also difficult.

Mr Jeff Smith, chairman, said the medium to long-term prospects for the aviation division continued to be extremely buoyant. But the short-term problem was being compounded by recent industrial action at Boeing and currently at British Aerospace, which would cause some deliveries to slip into the next financial year.

Sauces buy for Albert Fisher

By Clare Pearson

ALBERT FISHER, the foods group, is building up its interests in sauces and dressings via the purchase of Beswick, a UK producer, for a maximum consideration of £4.5m.

with its active acquisitions policy. The initial consideration for Beswick is £2.5m which will be satisfied by a mixture of cash and shares. In addition there may be a deferred payment on an earn-out basis.

the two years ending October 31 1991. Albert Fisher ran into complaints from some institutional shareholders over several aspects of its recent capital-raising exercise and was forced to alter the terms in one respect.

Duncan Lawrie ahead by 15%

By David Lascelles, Banking Editor

Duncan Lawrie, the private banking arm of Walker Duncan & Goodricke, last year raised pre-tax profits by 15 per cent to £1.04m, the first time they have risen above £1m.

Pacific Assets Trust to raise £20.2m via placing

By Clare Pearson

PACIFIC ASSETS Trust is issuing units of ordinary shares and warrants. This raises £20.2m to fund continued investment in the Asian Pacific region.

In the trust's fully-diluted net asset value per ordinary share after allowing for a net interim dividend of 0.875p and all estimated expenses.

Brent Walker sells its 29.9% stake in Trillion

By Andrew Bolger

Brent Walker, the leisure and property group, has disposed of its 29.9 per cent stake in Trillion, the USM-quoted television production company.

RH Lowe falls to £1m

By Clare Pearson

SHARES OF Robert H Lowe yesterday fell 4p to 42p as the sports, leisure, baby and children's wear group revealed a 33 per cent decline in annual pre-tax profits and a severely reduced final dividend.

and a full 12 months from Morris Packaging. Directors said that "some headwinds" had been made in improving margins in certain areas of the group's children's wear operation.

Correction Mr Douglas D'Arcy

In the issue of January 25 1990, the Financial Times published an article entitled "Chrystalis records £11.5m loss as US problems bite". We wish to make it clear that, contrary to the impression given by the article, Mr Douglas D'Arcy was not the director in charge of the US records operation of Chrystalis during the majority of the period when the losses discussed in the article were incurred.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES

To UK residents by reporting institutions in the UK at November 30, 1989 (Bank of England Quarterly Bulletin)

Table with columns: Amounts outstanding (sterling and other currencies), Loans and advances, Acceptances, Total, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies, Retail banks, Group detail Total Outstanding (Sterling & Other Currencies).

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

Table with columns: Amounts outstanding (sterling and other currencies), Loans and advances, Acceptances, Total, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies, Retail banks, Group detail Total Outstanding (Sterling & Other Currencies).

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

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ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (Continued)

Table with columns: Amounts outstanding (sterling and other currencies), Loans and advances, Acceptances, Total, Of which in sterling, Changes in total lending in sterling three months ended, In other currencies, Retail banks, Group detail Total Outstanding (Sterling & Other Currencies).

Footnotes: (1) Companies loans, advances and acceptances. Loans and advances include lending under the DTT special scheme for domestic shipbuilding, secured call money placed with Stock Exchange money brokers and gilt-edged market makers, and time deposits placed with, and holdings of certificates of deposit and other securities issued by, building societies.

Queens Moat raises Norfolk Capital stake

QUEENS MOAT Houses has increased its stake in Norfolk Capital Group, the rival hotels company for which it is bidding, from about 2.5 per cent to 4.4 per cent.

The main block of the increase was bought at 42 1/2p from Brewin Dolphin, the stockbroking and fund management group. Queens Moat said yesterday it would post its offer document to Norfolk shareholders as soon as possible.

Competition limits rise at Wm Ransom

Taxable profits of William Ransom & Son, the manufacturing chemist, rose by just £13,000 to £320,000 for the six months ended September 30.

Dudley Jenkins at £321,000

Profits of Dudley Jenkins, a USM-quoted list broker which derives the major part of its income from the supply of mailing lists to advertisers in the UK and abroad, rose from £241,000 to £321,000 pre-tax in the six months to October 31.

Sturge buys Lloyd's agency for £2.15m

Sturge Holdings, the Lloyd's underwriting agency group, is acquiring Hall Harford Jeffreys Langdale for a total consideration of £2.15m of which £660,000 is to be satisfied by the issue of 129,000 shares.

Earnings ahead at Scottish National

In its report for the first quarter, covering the three months to December 31, The Scottish National Trust announced earnings per share of 1.97p, up from 1.59p, from net revenue ahead from £3.12m to £3.18m.

Partridge beats forecast with £3.2m

Partridge Fine Arts, the antique furniture dealer which joined the main market through a placing last September, yesterday announced pre-tax profits of £3.2m for the year ended October 31 1989, comfortably beating the £2m forecast at the time of listing.

Residential Property Securities No. 2 PLC

£200,000,000 Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 29th January, 1990 to 30th April, 1990 has been fixed at 15.45 per cent per annum.

Trinity invests in television production

Trinity International Holdings, the Chester-based newspaper publisher, has taken a substantial minority shareholding in Liberty Television, a small television production company founded last year.

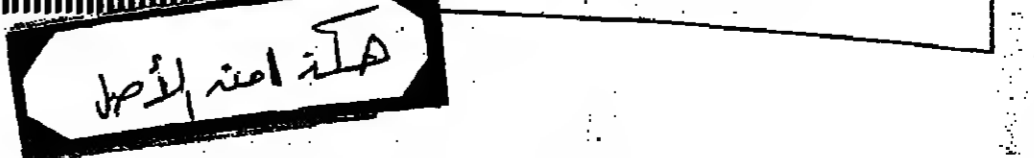
Partridge Fine Arts, the antique furniture dealer which joined the main market through a placing last September, yesterday announced pre-tax profits of £3.2m for the year ended October 31 1989, comfortably beating the £2m forecast at the time of listing.

Trinity would not disclose how much it had invested but the shareholding is thought to have cost a few hundred thousand pounds.

Liberty, founded by Mr Jacques Evans and Mr Michael Drinan, is currently producing the geographical game show, Paperback, which will be shown by Anglia Television in the spring.

Trinity is also a shareholder in British Satellite Broadcasting.

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COMMODITIES AND AGRICULTURE

Canadian miners hit a thin profits seam

Bernard Simon on the problems that have prompted a spate of mine closures

MEMORIES OF the dismal early 1980s have been resurfacing in Canada this month as one base metal producer after another tightens its belt by closing mines and laying off workers. A combination of weak demand, sliding prices, poor productivity and high costs has prompted the cuts. Announcements made in the past three weeks include...

Cominco has clearly lost patience with the militant unions at the Sullivan mine, whose members earn up to 40 per cent more than their counterparts in the US. Sullivan has recently been losing \$22m (\$1m) a month. "They're picking on their weakest mine in a weak market," says Mr Bruce Reid, analyst at Loewen Ondaatje McCutcheon in Toronto. Cominco, which until 1986 will be significantly lower than in the previous 12 months...

Short crops elsewhere lift Israeli citrus sales

ISRAELI CITRUS exports - and especially its bid to win a bigger market share for recent years - have been boosted by bad weather affecting the crops of its main competitors in Florida, Spain and Morocco, according to the Citrus Marketing Board...

'Polluter pays' laws planned in Australia

THE AUSTRALIAN Government wants to alter key pricing arrangements for resource use and to impose the "polluter pays" principle to resolve conflicting issues of resource development and environmental protection. The proposal was revealed yesterday by Mr John Kerin, Minister for Primary Industries and Energy...

Caribbean bauxite producers go for growth

Canute James reports on production boosts encouraged by firm demand

LED BY continuing firm demand, Caribbean bauxite producers are increasing ore production and are planning expansion of refining capacity. The trend has been evident in Jamaica, where the world's third largest producer, and will be reflected in Guyana later this year. Indicative of the region's attempt to make the most of the market is the Jamaican Government's search for a partner in a new refinery project...

output to 1.25m tonnes. There are also plans to expand the capacity of Jamaica, a 800,000-tonnes-a-year refinery owned jointly by Alcoa and the Jamaican Government. Rated capacity will initially be lifted to 1m tonnes, with the prospect of doubling this in ten years if the market remains firm. Alcan, which operates two refineries on the island with a combined rated capacity of 1.1m tonnes per year, is currently producing 950,000 tonnes, and aims to raise this to 1m tonnes a year...

Record tea output forecast

THE UNITED Planters' Association of Southern India has forecast a world tea output record for 1990 of 2.53bn kg, based on information from various producing countries, reports Reuters from Colombo. The association estimates the calendar crop at 2.49bn kg, including China, the Soviet Union, Armenia and Turkey...

of 1.05tn kg in 1990 compared with an estimated 1.07tn kg in 1989 and an actual 1.05tn kg in 1988. Meanwhile the Indian Tea Association has forecast record domestic output of 720m kg this year, assuming an average growth rate and favourable weather. The 1989 crop is estimated at 682m kg. Adverse weather reduced 1988 output to 67m kg. The Association, noting a 10 gram per capita growth rate in domestic consumption, projected 1990 consumption at 510m kg, leaving a surplus of 210m kg for export, the same amount as exported in 1989.

WEEKLY METALS PRICES

Table containing weekly metal prices for various commodities including Aluminum, Copper, Gold, Silver, and Platinum, with columns for price, change, and units.

LONDON MARKETS

Table of London market prices for various commodities such as Copper, Zinc, Lead, Tin, and Aluminium, including spot and forward prices.

WORLD COMMODITIES PRICES

Table of world commodity prices for various goods including different grades of Copper, Zinc, Lead, Tin, and Aluminium.

US MARKETS

Table of US market prices for commodities like Gold, Silver, and various grades of Copper and Zinc.

Chicago

Table of Chicago market prices for commodities such as Soybean Meal, Soybean Oil, and various types of Wheat.

Bottom section containing various financial indices, exchange rates, and market data for different regions and currencies.

TECHNOLOGY

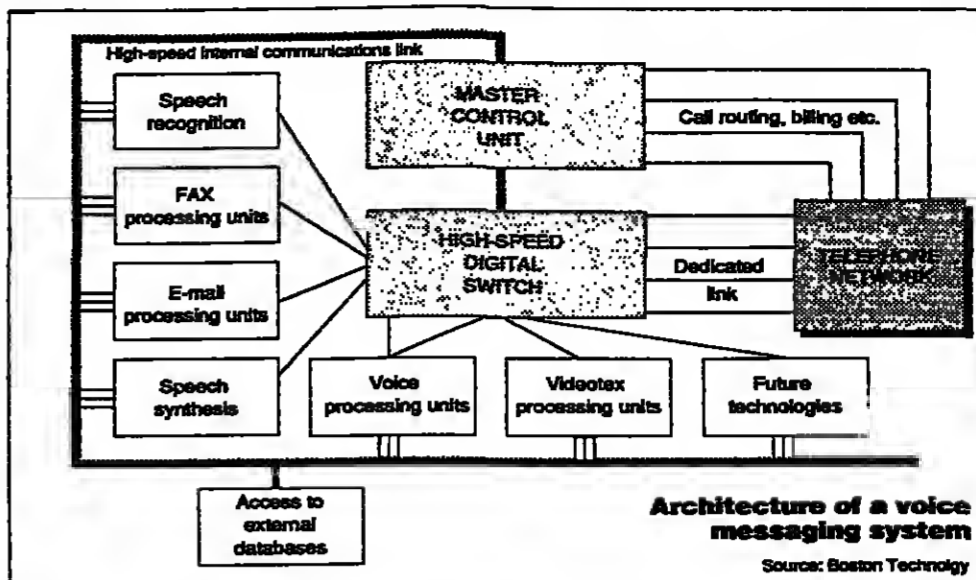
Hugo Dixon explains a system that enables telephone companies to offer voice mail Message of hope for frustrated callers

"THE TELEPHONE allowed us to transcend space. Voice messaging allows us to transcend time. You can be in Hong Kong, Tokyo, Moscow... it does not matter. You can still be firing messages off to one another."

Anybody who calls the US regularly will be familiar with voice mail. You phone a company and hear a recording like: "Good morning, this is Pinkerton & Pinkerton. If you know the extension of the party you are calling, enter it now. For a list of extensions, press 1; for a human operator, press 0 or stay on the line."

Access system. The group is starting to market the system in Europe, although it may be slow to take off because many phones still have dials instead of buttons.

We are sorry nobody is here. To leave a message for Francisco, press 1; for Bobby, press 2; for Linda, press 3; or press 0 if your message is intended for the family as a whole.



instance, that faxes could be stored in the system and retrieved at a time and place convenient to the recipient. People would be able to receive at home faxes originally sent to their offices. And by incorporating character recognition and speech synthesis devices, the system would even be able to dictate a fax over the phone.

BT and the Government fling a digital lifeline to Highland businesses

Seasoned tourists returning from the Highlands of Scotland often enthuse over its unspoilt beauty. To businesses, however, the area's remoteness is less enchanting. As the fax machine produces yet another illegible document because of poor telephone links, at least one concern has admitted that it contemplated leaving the "Top Country" for smokier surroundings.

the Western Isles. Sir Robert Cowan, chairman of the HIBB which is contributing £4.9m, says the initiative is "the most important single investment the board has made in the economic future of the Highlands and Islands."

back if the extra traffic carried by the improved links started to make the investment self-financing. BT is now installing System X digital telephone exchange equipment in 43 places in the Highlands.

Richard Kiddy, managing director, says the NSA's "one-stop" philosophy means that a company could easily set up a complex system with public and private databases and several types of access, without having to co-ordinate

many suppliers. Companies do not need to be based in the Highlands, or even in the UK, to use the NSA. The only service installed on the NSA computers at present is RurTel, an electronic conferencing and mail system for, say, researchers scattered across Europe.

John Bryden, the programme director based in Nethy Bridge, reports that when RurTel was established, it was expected that there would be 60 users. The pilot system has grown to 150. Organisations subscribing to RurTel can set up electronic conferences, restricting access as they wish.

HI-Line plans to link its database to Sabre or one of the other airline reservation systems. Then customers walking into a travel agent in Inverness, Florida, would be able to set up a personalised holiday in the original Inverness by having the travel clerk link into HI-Line's computer 4,500 miles away.

Gren Manuel

TECHNOLOGY MARKET

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THE TECHNOLOGY MARKET This feature appears every Wednesday on The Technology Page The advertising rate are: £50 per single column centimetre

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I to I EXECUTIVE CONSULTATION OBJECTIVE: Information for business growth eg. 1992, flat company, customer support.

LONDON SHARE SERVICE

BANKS, HP & LEASING

Table listing various bank and leasing companies with columns for stock price, bid, offer, and volume.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors.

ELECTRICALS - Contd

Table listing electrical companies, continuing from the previous page.

ENGINEERING - Contd

Table listing engineering companies, continuing from the previous page.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies, continuing from the previous page.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other consumer goods companies.

HOTELS AND CATERERS

Table listing hotels and catering companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

INSURANCES

Table listing insurance companies.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors.

ELECTRICALS

Table listing electrical companies.

ENGINEERING

Table listing engineering companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

LEISURE

Table listing leisure and entertainment companies.

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LONDON STOCK EXCHANGE

Bond markets set tone for equities

TRENDS IN other leading world stock markets continued to cast a spell yesterday over a London equity sector...

underlying stock market. At the close, the FT-SE index was a net 6.8 points off at 2,322.0...

Reserve Board, to a US Congressional committee. The uncertainty which has crept into the UK equity market...

with Elders was about to come to take place. Interim profits barely ahead at £2.75m from Goodhead...

Capel said that the pre-season sales in furniture, silverware and sculpture had been successful...

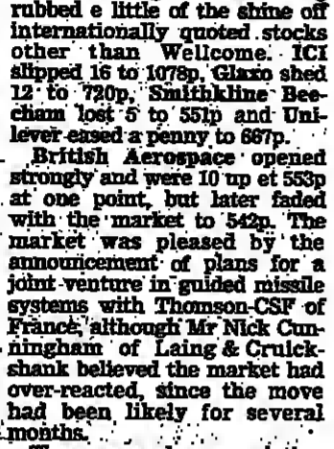
FINANCIAL TIMES STOCK INDICES

Table with columns for Government Secs, Fixed Interest, Ordinary Share, Gold Mines, FT-SE 100 Share, Ord. Div. Yield, and GILT EDGED ACTIVITY.

Wellcome firm in late trade

News that Retrovir, Wellcome's anti-Aids drug, had been given a green light by the advisory committee to the US Food and Drug Administration...

FT-A All-Share Index



Equity Shares Traded Turnover by volume (million) Cash/Debt market business & Overseas turnover

GRE shares at the end of last year, widely hinted to be Italy's Generali, had returned to the market.

The water stocks enjoyed further gains after a buy note issued by Kleinwort Benson. Mr Zaidi, at Kleinwort, expects further outperformance from the water shares...

with Elders was about to come to take place.

Interim profits barely ahead at £2.75m from Goodhead the shares 4 off at 146p. Interims from Partridge Fine Arts were 38 per cent higher at 92.5m...

Capel said that the pre-season sales in furniture, silverware and sculpture had been successful...

Capel said that the pre-season sales in furniture, silverware and sculpture had been successful, and had given the market some reassurance that Christmas would continue last year's trend in 1990.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks including Lloyds Bank, Shell Transport, British Telecom, etc.

Royal Bank ruffled

Royal Bank of Scotland were given a rough ride in the market after press reports on the bank's exposure to highly leveraged transactions...

Standard Chartered finally encountered some determined profit-taking after the break-up bid started of recent weeks...

Standard Chartered finally encountered some determined profit-taking after the break-up bid started of recent weeks, closing 3 off at 585p.

W.H. Smith "A" shares weakened quickly ahead of interims today.

W.H. Smith "A" shares weakened quickly ahead of interims today. Analysts at UBS Phillips & Drew sounded a cautious note in the wake of disappointing figures on Monday...

Analysts at Smith New Court reiterated their positive sentiments on Sainsbury and Tesco after a visit to the former on Monday.

Analysts at Smith New Court reiterated their positive sentiments on Sainsbury and Tesco after a visit to the former on Monday. The shares advanced against the wider market's trend...

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Analysts at Smith New Court reiterated their positive sentiments on Sainsbury and Tesco after a visit to the former on Monday. The shares advanced against the wider market's trend...

LONDON SHARE SERVICE

Table with columns for BRITISH FUNDS, AMERICANS, INT. BANK AND O'SEAS, CORPORATION BONDS, COMMONWEALTH & AFRICAN LOANS, LOANS, FOREIGN BONDS & RAILS, AMERICANS, and CANADIANS.

NEW HIGHS AND LOWS FOR 1989/90

Table listing new highs and lows for various companies in 1989/90, including Anglo-Continental, Anglo-Continental, Anglo-Continental, etc.

APPOINTMENTS

Mr Charles A. Good, managing director of J.S. Gadd & Co. has been appointed director of SHOPTRE GROUP, Isle of Man...

APPOINTMENTS

Mrs Cathy Miller as assistant director and secretary, and Mrs Diana Wilde as assistant director.

APPOINTMENTS

Mr Mark Jeffers, Ms Alison Montague, and Mr George Murdoch have been promoted to associate director of CLP THE PROPERTY FINANCE BROKERS.

APPOINTMENTS

Mr Michael A. Ziff (pictured) has been appointed managing director of STYLO, Leeds, a shoe retailing group.

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Standard Chartered personnel chief

Mr Martin Fish has been appointed head of group personnel at STANDARD CHARTERED from February 1. He will be responsible for the group's human resources world-wide...

Mr Michael Cornish

Mr Michael Cornish (above) has been appointed network development director from March at V.A.G. (UNITED KINGDOM), Milton Keynes, importer of Volkswagen and Audi vehicles...

Mr Ernie Chilton

Mr Ernie Chilton has been appointed vice president of sales at AVX, Aldershot, maker of leaded and chip capacitors.

Mr Barry Lewis

Mr Barry Lewis has been appointed director of the CO-OPERATIVE INSURANCE SOCIETY, Manchester, succeeding Mr W.L. Corlett who becomes a consultant to the company...

Mr Paul Hogarth

Mr Paul Hogarth has been appointed operations director at Dillon's Bookers, a subsidiary of PENTOS, He was operations director of Sherratt & Hughes, and Waterstones.

Mr David Heslop

Mr David Heslop has been appointed chief executive of MAZDA CARS (UK), Tunbridge Wells. He was sales director, succeeding Mr John Ebenazer who remains chairman.

Mr Chris Gilbey

Mr Chris Gilbey, manager of industry affairs for British Airways, has been appointed to the UNIVERSAL AIR TRAVEL PLAN board of management that administers Air Travel Card, the business travel payment system. He will represent the UK airline. Established in 1985 as the world's first charge card, Air Travel Card has over 1.5m users.

Mr David Heslop

Mr David Heslop has been appointed chief executive of MAZDA CARS (UK), Tunbridge Wells. He was sales director, succeeding Mr John Ebenazer who remains chairman.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Main table containing unit trust information, including columns for Unit Name, Unit Price, and other financial details. The table is organized into multiple columns and rows, listing various unit trusts and their associated data.

GUIDE TO UNIT TRUST PRICING

UNIT TRUST PRICING. The price of a unit trust is the price of the unit trust's underlying assets, less the unit trust's expenses, divided by the number of units outstanding. The price of a unit trust is the price of the unit trust's underlying assets, less the unit trust's expenses, divided by the number of units outstanding.

Table providing detailed pricing information for unit trusts, including columns for Unit Name, Unit Price, and other financial details. This table is a continuation of the main table's data.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

MOTORS, AIRCRAFT TRADES

Table listing stock prices for various motor and aircraft companies, including British Aerospace, Jaguar, and others.

PROPERTY - Contd

Table listing property-related stocks such as British Land, British Property, and others.

TRUSTS, FINANCE, LAND

Table listing various trusts and financial institutions, including Investment Trusts and Finance & Land.

TRUSTS, FINANCE, LAND - Contd

Continuation of the Trusts, Finance, and Land table.

OIL AND GAS - Contd

Table listing oil and gas companies, including British Petroleum and Shell.

MINES - Contd

Table listing various mining companies and their stock prices.

THIRD MARKET

Table listing stocks traded on the third market.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

SHOES AND LEATHER

Table listing shoe and leather companies.

SOUTH AFRICANS

Table listing South African stocks.

TEXTILES

Table listing textile companies.

TOBACCO

Table listing tobacco companies.

PROPERTY

Table listing property stocks.

TRANSPORT

Table listing transport companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

WATER

Table listing water companies.

OIL AND GAS

Table listing oil and gas companies.

FINANCE

Table listing various financial institutions.

DIAMOND AND PLATINUM

Table listing diamond and platinum companies.

CENTRAL AFRICAN

Table listing Central African stocks.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

PROPERTY

Table listing property stocks.

TRANSPORT

Table listing transport companies.

OIL AND GAS

Table listing oil and gas companies.

FINANCE

Table listing various financial institutions.

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Table listing diamond and platinum companies.

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Table listing Central African stocks.

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Table listing regional and Irish stocks.

Stock Exchange dealing classification letters are indicated to the right of the company name. Alpha & Beta, Y Gamma. Unless otherwise indicated, prices and bid-ask spreads are in Pence and decimal parts are 25p. Estimated preferential ratios and covers are based on latest annual reports and accounts and, where possible, are based on half-yearly figures. P/E is calculated on 'net' distribution basis, earnings per share being computed on profit after taxation. Unrounded AIT where applicable. Calculated figures indicate 10 per cent, or more, difference if bracketed on 'net' distribution basis. Where based on 'maximum' distribution, this covers gross dividend costs after tax, excluding estimated profits/losses net of including estimated interest on tax. Dividends are based on middle prices, are gross, including AIT of 25p net and allow for value of declared distribution and rights.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for National Financial, National Mutual, National President, Norwich Union, and various international and offshore trusts.

JERSEY (SIB RECOGNISED)

Table listing Jersey-based unit trusts with their respective prices and yields.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey-based unit trusts with their respective prices and yields.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

Table listing offshore and overseas unit trusts with their respective prices and yields.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey-based unit trusts with their respective prices and yields.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey-based unit trusts with their respective prices and yields.

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Table listing Guernsey-based unit trusts with their respective prices and yields.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up as yen loses ground

THE DOLLAR and sterling were firm yesterday and there was active cross trading between the D-Mark and Japanese yen, with the yen weaker in general.

Y143.15 on Monday. The dollar also rose to DM1.6805 from DM1.6795; to SF11.4855 from SF11.4855; and to FF5.7100 from FF5.7050. On Bank of England figures the dollar's index advanced to 66.8 from 66.7.

Sterling remained underpinned by high London interest rates at a time when rates supporting other high yielding currencies - the Australian and Canadian dollars - have shown signs of falling. Perceptions of a slowly improving economic picture and political stability in the UK are also encouraging funds into sterling.

Covering of short positions gave the dollar support in a featureless market. Traders were looking for guidance from testimony before a Congressional committee by Mr Alan Greenspan, chairman of the US Federal Reserve Board, but there was little reaction to his comments.

The pound gained 45 points to \$1.6830. It also rose to DM2.2775 from DM2.2800; to Y242.25 from Y240.25; to SF12.5075 from SF12.4925; and to FF9.6100 from FF9.5750. Sterling's index rose 0.4 to 88.9.

The D-Mark was bought against the yen in Tokyo and this trend continued in Europe and early New York trading. Dealers said the D-Mark may have reached a near-term top and the yen remains vulnerable ahead of next month's elections to the Japanese lower house. This pushed the D-Mark up to Y85.70 at the London close, from Y85.23 on Monday, amid suggestions that there may be an early attack on Y86.00.

EURO CURRENCY INTEREST RATES

Table with columns for currency (Sterling, US Dollar, etc.), start, 7 day, 1 month, 3 months, 6 months, 1 year.

STERLING INDEX

Table with columns for date, index value, change, previous.

CURRENCY RATES

Table with columns for currency, rate, change, previous.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for currency, spot, forward, % change.

CURRENCY MOVEMENTS

Table with columns for currency, movement, change.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for currency, rate, change.

OTHER CURRENCIES

Table with columns for currency, rate, change.

EXCHANGE CROSS RATES

Table with columns for currency, rate, change.

MONEY MARKETS

Rates drift lower

THE DOWNWARD drift in London interest rates continued yesterday as sterling maintained a firm tone on the foreign exchanges. The threat of higher UK bank base rates appears to have headed off any last Friday's reasonably encouraging December trade figures, but dealers said it is still too early to look for a cut in rates. On the other hand, it was pointed out that if the pound continues to improve it is in the nature of

forecast a flat credit position. This was revised to a surplus of £100m at noon and back to flat in the afternoon. The authorities did not operate in the market. In New York the Federal Reserve drained liquidity from the banking system via two-day matched sale and repurchase agreements. In Frankfurt call money continued to fall as banks remained well supplied with liquidity towards the month-end. Banks' reserve holdings averaged £41m for the first 28 days of January, and there should be no problem in meeting the provisional average requirement for the month of DM60.3bn.

markets to pre-empt a change. Three-month sterling interbank was quoted at 15 1/8-15 1/4 per cent, against 15 1/8-15 1/4 on Monday, while 12-month saw to 15 1/4-15 1/2 per cent from 15 1/4-15 1/2. Better sentiment was reflected in a firmer opening for short sterling futures on Liffe. March delivery opened at 85.08 and touched a peak of 85.12. It failed to follow through to attack resistance at 85.15 however, weakening with a downturn in US bonds, to close at the day's low of 85.04, compared with 85.05 on Monday. Credit conditions were comfortable in London. The Bank of England initially

The call rate declined to 7.10 from 7.50 per cent. This was regarded as purely technical and not a sign of easier credit policy by the Bundesbank. This remains a fear in the market that the Bundesbank may tighten its monetary stance, but the central bank council meets on Thursday and is not expected to take any fresh monetary initiatives. A two-tranche securities repurchase agreement, for 28 and 82-day funds, was offered by the Bundesbank yesterday. Bids must be made today, but the result of the tender will not be announced until tomorrow when two facilities totalling DM29.7bn expire.

FINANCIAL FUTURES AND OPTIONS

Table for Liffe Long Oil Futures Options with columns for strike, call, put, settlement.

Table for Liffe US Treasury Bond Futures Options with columns for strike, call, put, settlement.

Table for Liffe Bond Futures Options with columns for strike, call, put, settlement.

Table for Liffe US Options with columns for strike, call, put, settlement.

Table for Liffe Eurodollar Options with columns for strike, call, put, settlement.

Table for Liffe Short Sterling Options with columns for strike, call, put, settlement.

LONDON (Liffe)

Table for 20 Year US National Debt with columns for bid, ask, high, low, prev.

CHICAGO

Table for US Treasury Bond with columns for bid, ask, high, low, prev.

STERLING

Table for Sterling with columns for bid, ask, high, low, prev.

US TREASURY BONDS

Table for US Treasury Bonds with columns for bid, ask, high, low, prev.

U.S. TREASURY BOND

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U.S. NATIONAL DEBT

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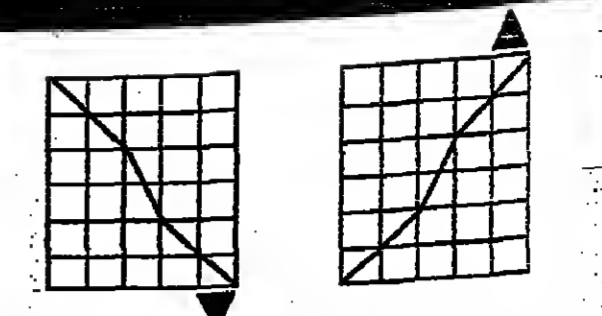
U.S. NATIONAL DEBT

Table for US National Debt with columns for bid, ask, high, low, prev.

U.S. NATIONAL DEBT

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WHERE CAN YOU EXPECT RISING PROFITS FROM A FALLING MARKET?



WITH FUTURES AND OPTIONS TRADING, WHERE SUCCESS DOESN'T ONLY DEPEND ON A BUOYANT MARKET.

Futures and Options Markets - possibly a side to your investments that you have never considered.

For over 40 years, our organization has been trading commodities worldwide. From individuals to large corporations we have been instrumental in helping them to get more from their capital.

Advertisement for SUCDEN (UK) LIMITED, featuring a logo and contact information for their London office.

FOOD INDUSTRY

Advertisement for Financial Times Food Industry survey, including contact details for Jonathan Wallis.

FT-SE 100

Advertisement for FT-SE 100, featuring a logo and contact information for their London office.

CROSSWORD

Advertisement for a crossword puzzle set by Vixen, including a grid and clues.

JOTTER PAD

Advertisement for a jotter pad, featuring a grid and contact information for their London office.

GRANVILLE SPONSORED SECURITIES

Advertisement for Granville Sponsored Securities, listing various investment options and their yields.

IG INDEX

Advertisement for IG Index, featuring a logo and contact information for their London office.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 30

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for '12 Month High Low Stock' and '12 Month High Low Stock'.

Continued on Page 39

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WORLD STOCK MARKETS

AMSTERDAM

Table of Amsterdam stock market data including various stock prices and indices.

FRANCE (continued)

Table of French stock market data including various stock prices and indices.

GERMANY (continued)

Table of German stock market data including various stock prices and indices.

ITALY (continued)

Table of Italian stock market data including various stock prices and indices.

SWEDEN

Table of Swedish stock market data including various stock prices and indices.

NETHERLANDS

Table of Dutch stock market data including various stock prices and indices.

SWITZERLAND

Table of Swiss stock market data including various stock prices and indices.

NORWAY

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SPAIN

Table of Spanish stock market data including various stock prices and indices.

SOUTH AFRICA

Table of South African stock market data including various stock prices and indices.

JAPAN

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SPAIN

Table of Spanish stock market data including various stock prices and indices.

SOUTH AFRICA

Table of South African stock market data including various stock prices and indices.

AUSTRALIA (continued)

Table of Australian stock market data including various stock prices and indices.

CANADA

Table of Canadian stock market data including various stock prices and indices.

MONTREAL

Table of Montreal stock market data including various stock prices and indices.

TORONTO

Table of Toronto stock market data including various stock prices and indices.

NEW YORK

Table of New York stock market data including various stock prices and indices.

INDICES

Table of various stock market indices.

NEW YORK ACTIVE STOCKS

Table of active stock trading in New York.

TRADING ACTIVITY

Table of trading activity across various markets.

CANADA TORONTO

Table of Toronto stock market data.

TOKYO - Most Active Stocks

Table of most active stocks in Tokyo.

HONG KONG

Table of Hong Kong stock market data.

MALAYSIA

Table of Malaysian stock market data.

SINGAPORE

Table of Singapore stock market data.

Advertisement for Financial Times featuring a globe and the text 'Keep the world in focus.' with contact information for the New York office.

AMERICA

Dow declines as speculative issues retreat

Wall Street

A SELL-OFF of takeover stocks, coupled with increased concerns about interest rates pulled the stock market broadly lower yesterday in fairly active trading, writes Karen Zagor in New York.

and the American Exchange Composite fell 4.04 points to 345.60. Among other Dow Jones stock averages, the transportation index fell sharply by 42.67 points to 1,031.83. The utilities index recovered to close up 0.18 points at 218.69 after sliding as much as 2.14 points earlier in the day.

The weakness in the stock market was initially mirrored in the debt market, but bonds later rallied on the back of a strong dollar. The dollar, which ended the day at about \$144.95 and DMI, 697, rose on reports that Soviet Premier Mr Mikhail Gorbachev was planning to step down as head of the Communist party. The Treasury's bellwether 30-year issue was quoted up 1/2 point, yielding 8.54 per cent.

plunged 53% to \$31 1/2 in heavy over-the-counter trading after the company reported disappointing fourth-quarter operating income of 53 cents a share. United Telecommunications was down 1 1/2% at \$31 1/2 in heavy trading, reflecting concerns about the long distance telephone industry after MCI's lower earnings and comments from American Telephone & Telegraph, saying the company expects a slowdown in growth for 1990.

which has been a Wall Street favorite thanks to recent political changes in eastern Europe, dropped 2% to \$22 1/2. Among blue chip stocks, Philip Morris was up 1/2% at \$37 1/2, IBM rose 1/2% to \$97 1/2 and Coca-Cola fell 1/2% to \$66 1/2.

ASIA PACIFIC

Worries about short-term prospects trim early gains

Tokyo

THE YEN'S continued firmness against the dollar failed to excite investors back into the market and share prices drifted marginally higher in slow trading, writes Michiko Nakamoto in Tokyo.

become complicated by factional infighting over the prime minister's post after the elections. The fragility of the market was clearly reflected in its reaction to Sony's announcement that it plans to issue yen warrant bonds. At a time when hopes had been pinned on electricals to lead the market, news of the financing plan took Sony's share price down Y340 to Y8,310. If the market had been healthy, it would have ignored the news, one trader said.

cents to A\$6.80, Westpac shed 4 cents to A\$6.06 and ANZ slipped 6 cents to A\$6.32. Turnover totalled 118m shares worth A\$20m, considerably lighter than Friday's 167m valued at A\$160m.

EUROPE

Special situations caught in the spotlight

INDIVIDUAL stocks and sectors provided much of the excitement in Europe yesterday, as France retreated and West Germany closed little changed, writes Our Markets Staff.

in line with expectations. Michelin, the tyre company, continued to bounce about, losing FF4 to FF159 after Monday's FF6 gain and Friday's FF11.50 loss. There are rumours that the company is planning a capital increase.

"The attraction of the fundamentals in the sector is well known. Japanese investors have been buying heavily because they see the stock as a good, longer term prospect with p/e ratios of 7.5 and sometimes lower, sound dividends and good liquidity," an analyst said.

formed well, with Urbs gaining 14 percentage points to 411 per cent of par. Banesto, the bank, which moved on to the continuous market on Monday, rose Ptas50 to Ptas290 after the previous day's Ptas175 decline. The general index gained 1.54 to 276.49.

STOCKHOLM moved slightly higher in trade reduced to a trickle by the wage dispute, which has crippled the entire Swedish banking system. Total turnover was a tiny SKr35m. The Affärsvärlden General index rose 9.5 to 1,227.4.

Other electricals were also weak, with Toshiba falling Y30 to Y1,200 and Pioneer off Y100 to Y1,350.

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The CAC 40 index, which lost 12.88 to 1,892.03, was hit by a 15.7 per cent fall in Casino, a retailer and the most active stock. Some analysts had cut significantly their estimates of sales for the second half, catching the market by surprise, said one observer. Casino dropped FF22.20 to FF164.

Overall turnover was estimated at FF22bn. FRANKFURT concentrated on the chemical sector, which advanced strongly in a generally mixed market. The DAX index was up only 1.02 at 1,821.57 at the close, recovering from an early fall of about 8 points, and the FAZ rose 0.46 to 758.64. Turnover rose from DM6.9bn to DM7.3bn.

AMSTERDAM saw foreign buyers creep back into the market, helping shares make gains in moderate volume. The CBS tendency index added 1.0 to 115.6. Philips, which signed a F180m contract with the education ministry, gained 10 cents to F143.

BRUSSELS was again mixed because of interest rate fears, with activity centred on Cockerrill, the steel group, which made a strong start in heavy trading. The cash market index rose 1.25 to 6,538.76. Cockerrill improved by 1 per cent, adding BFr2 to BFr199 as 164,500 shares changed hands.

MILAN fell on a broad front in thin trading. A negative tone was blamed on domestic political tension and uncertainty in financial markets abroad. The Comit index fell 4.88 to 679.99.

Roundup TALK OF a forthcoming election boosted Australia in a mixed day for the Asia Pacific region. As one analyst put it: "Most of the markets tried to go better at the opening. They started with a bit of a rally, but that soon brought the sellers out."

WELLINGTON was again volatile. The Barclays index fell 16.51 to 1,923.87 as turnover returned to a moderate 6m shares worth NZ\$10m.

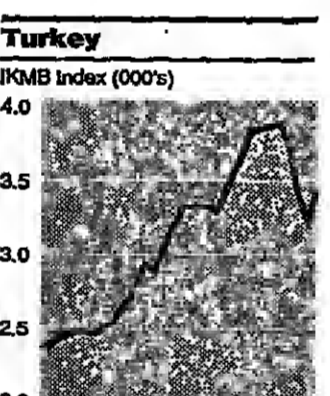
BOMBAY fell across the board as brokers ended their boycott. Trading resumed after the stock exchange authorities reduced the penalties which it imposed on two brokers last week for failing to deposit margin money on their outstanding positions. The Bombay index fell 15.15 to 701.08.

Turkey survives fake shares and a bomb

Jim Bodgener on the bull run that some analysts say is a bubble that could burst

ISTANBUL'S emerging stock market, the IKMB, appears to have weathered the squalls following a dummy share scandal and a botched terrorist bomb attack last week. Yesterday, after a few days in sackcloth and ashes, it seemed to be back in the bull run which dates back to the beginning of January.

At close of trading yesterday, the IKMB index was 3,470 on a trading volume of TL73.9bn (\$31.4m), up from 3,199 on Monday. It last peaked at 3,811, mid-way through last week.



unpredictable market for small investors, who are most exposed to large fluctuations," said an exchange source. Other critics say that the market has risen out of all proportion to corporate performance, and that last week's events only deferred the bursting of a dangerous bubble.

Altogether, five people have been taken into police custody, pending an investigation by the government and the watchdog Capital Markets Board (CMB) in Ankara into the issue of fake shares in the market leader, Cukurova Elektrik. The shares had been floating undetected on the market from November; a statement from the authorities is expected later this week.

The minor slump has come as a salutary lesson to an overheating market, say exchange officials and traders. In spite of the recent setback, the index yesterday was showing a rise of more than 50 per cent from the 2,217 it reached on the last day of business in 1989.

Other critics say that the market has risen out of all proportion to corporate performance, and that last week's events only deferred the bursting of a dangerous bubble. They argue that, to safeguard the capital market as a whole, the family owners of large corporations should release more of their jealously guarded

equity, which would then soak up unrequited investment demand. Foreign investor interest in the exchange - lately from US and European-based funds - has boosted the market since last August, when it was opened to direct foreign investment by deregulation in a decree aiming at lira convertibility.

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Table with columns for National and Regional Markets, Tuesday January 30 1990, Monday January 29 1990, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan, and The World Index.



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